



# TENTH OLBIIL ERA KELULAU

FOURTH SPECIAL SESSION

SEPTEMBER 2017

HOUSE BILL NO. 10-53-3, HD2, SD3

## AN ACT

SEE TITLE INSIDE

OFFERED BY ~~XXXXXXXX~~ His Excellency Tommy E. Remengesau, Jr.

President of the Republic of Palau ET AL,

DATE INTRODUCED July 17, 2017

## HOUSE ACTION

FIRST READING:	July 17, 2017
REFERRED TO:	Ways and Means
STANDING COMMITTEE REPORT NO:	10-32
DATE ADOPTED:	July 27, 2017
SECOND READING:	July 27, 2017
LEGAL FORMAT:	Proper
REVIEW:	July 27, 2017
THIRD READING:	August 03, 2017
FINAL ACTION:	September 13, 2017

## SENATE ACTION

FIRST READING:	August 05, 2017
REFERRED TO:	Ways and Means and Financial Matters
STANDING COMMITTEE REPORT NO:	10-53
DATE ADOPTED:	September 05, 2017
SECOND READING:	September 05, 2017
LEGAL FORMAT:	Proper
REVIEW:	September 11, 2017
THIRD READING:	September 12, 2017
FINAL ACTION:	

## CONFERENCE COMMITTEE ACTION

DATE:	None
COMMITTEE REPORT:	None
DATE PASSED:	None

  
Marcello Ngirkelau  
HOUSE CLERK

  
Ann L. Pedro  
SENATE CLERK





**Republic of Palau**  
***Office of the President***

**Tommy E. Remengesau, Jr.**  
*President*

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September 27, 2017  
Serial No. 17-287

The Honorable Hokkons Baules  
President of the Senate  
10<sup>th</sup> Olbiil Era Kelulau  
Ngerulmud, Palau National Capitol  
Republic of Palau 96939

**Re: Signing Statement: House Bill No. 10-53-3, HD2, SD3 – Fiscal Year 2018 Budget Act**

Dear President Baules:

I would first like to take this opportunity to express my appreciation to you and your colleagues in the Olbiil Era Kelulau (OEK) for your timely and favorable action on the Fiscal Year 2018 Budget Act, which passed as House Bill No. 10-53-3, HD2, SD3. I appreciate the hard work and due diligence the OEK demonstrated while deliberating on this budget bill, and further wish to thank you for ensuring that the Government will have the full year's budget in place to ensure that important programs and services continue uninterrupted.

Overall, I am pleased to note that the budget you have passed will not only ensure the continuity of our ongoing governmental and social programs but also provides significant budgetary support to some of the most important policy initiatives of our Government. These very policy initiatives aim to achieve our vision of a caring Government that supports our most vulnerable population and maintain the affordability of basic government services while expanding on our ability to sustain our revenue growth to support our expanding government service. Furthermore, I am also happy to see that the OEK is cautious in maintaining a balanced budget while making sure that the budget appropriations will only focus on our priorities and the need to maintain a steady growth and improvement in service delivery.

Having said that, I wish to highlight some of the important policy considerations in this budget act. First being the amendments to the Social Security Program to provide for a permanent financing of the \$50 increase to the monthly benefits for our retirees. As you recall, we made this commitment during our last administration to increase the minimum benefits to help offset the increasing cost of living and to replace what was then a provision for senior citizens discount. I appreciate the OEK's



commitment to fund this increase for the last 2 years. This has helped our retirees a great deal with their disposable income which they have an option to spend on medications, billings, and their daily needs. It even more important now that we make it a long-term provision in the Social Security Program.

While this is expected to have some financial burden on the current employees and employers, it is believed that the long-term benefits are expected to far outweigh this burden. After all, the burden is going to be very minimal on low-income earners, especially those who make less than \$24,000 per year, as they will only pay an additional one percent on their total income. The bulk of the burden, however, will be absorbed by the high-income earners, especially those of us who make more than \$24,000 per year, as we will pay not only the additional one percent but our total earnings will now be subject to taxation as well. Similar to our current health insurance program, this change to the Social Security Program demonstrates our strong commitment to explore and adopt creative measures that look to the future in ensuring the sustainability of our Social Security Program and that will immediately address the present and future needs of the people.

In addition, I am appreciative of the slight amendment to the application of the Pristine Paradise Environmental Fee (PPEF), allowing for a much smoother collection process from incoming visitors. As you know, by law the collection of the PPEF is expected to take effect on January 1, 2018 and this amendment will allow for a more practical and efficient collection process to be put in place before January 1, 2018. Though this new provision of revenue stream may have brought some concerns from the tourism industry, we will continue to evaluate the impacts and work with the OEK to make necessary adjustments going forward. This expected new revenue is very much necessary to pursue the goals of our National Marine Sanctuary initiative that also include a funding mechanism to support our pension fund and state block grants. Therefore, I greatly appreciate the support and cooperation of the OEK on this important initiative.

While there was some confusion over the language amending the PPEF, I believe that this confusion can be easily resolved by regulation. All sides seem to share the same concern: that incoming foreign workers should not be entitled to a PPEF refund upon their arrival to Palau. After consulting with my legal advisors, I believe this bill's language, as clarified by regulation, will effectively serve that purpose. I have asked the Bureau of Customs to include in its regulations that neither work contracts nor provisional work visas will qualify any person for a refund. In other words: the only work permit holders who will be refunded will be those who have already paid on their arrival. These workers who, as noted in the Senate committee report, have established themselves as Palauan residents and taxpayers before travelling will represent a very small portion of foreign-worker arrivals overall.

I am making this decision in part because I know how important it is to move forward with finalized PPEF language. This fee, which is set to take effect in January, will be critical to our





nation's finances – including the stability of the Civil Service Pension Fund, which will be receiving 25 percent of the fee.

In general, I am happy to see that this budget, like our previous years budgets, continues to invest heavily in our education and public safety, as well as the general health of our Nation through funding support across governmental departments. More specifically, I want to recognize the increase to non-public schools which I believe greatly reflects our commitments to ensure that our education system provides for a better learning environment. I want to further recognize the provision of funds for marine ambulance services under the Ministry of Health. I believe that will go a great length to help bring efficiency to our emergency response to the outlying states.

As for the amount of \$1,150,000 funding to support the Civil Service Pension Plan, I appreciate the foresight of the OEK in an attempt to stop the bleeding and contain the ever increasing amount of unfunded liability that has placed the program at risk of insolvency. I recognize the importance of this appropriation and its attempt to delay the bleeding for one year while we undergo feasibility studies. However, I beg to differ slightly with you on the basis of the following reasons. Firstly, our initial understanding suggests that we appropriate funding to allow for CSPP to undertake an actuarial study in collaboration with the OEK and the Executive Branch to determine viable options toward a more comprehensive reform that will ensure long term financial viability of the program. Meanwhile, the government will continue efforts to work out a permanent funding solution to address the shortfalls of the Plan. These efforts are evident in our previous actions to allocate a portion of remittance tax to support CSPP and also the recent approval of the PPEF that is scheduled to take effect in the second quarter of fiscal year 2018. Secondly, committing almost 100 percent of the projected fiscal year 2018 fund availability for this budget bill, along with an additional \$4.4 million being authorized only for other critical budgetary needs, will put us in a difficult position to effectively manage funds as they become available. These authorized budget items such as the subsidies to Palau Public Utilities Corporation, funding support to implement a deposit-taking mandate of Palau National Development Bank, procurement of a new financial management system, premium insurance payments to Pacific Catastrophe Risk Assessment and Financing Initiative, ADB Contingent Line of Credit Maintenance Fee, etc., are all equally important parts of our budget considerations and will have to be addressed through supplemental budgets if funds are permitted. Although we are cautiously optimistic for stronger growth, I will also remind us that we have committed to encourage sound fiscal responsibilities and accountability by way of maintaining a balanced budget while making room for any unforeseen events such as typhoons, droughts or external threats in our region that could negatively impact our tourism and thus affects our revenue collections.

Finally, in light of the ongoing and increasing demand on our limited resources, I wish to continue working with the OEK to identify areas of our annual budget appropriation that we can begin to consider to either gradually increase or decrease on the basis of needs. With these considerations in



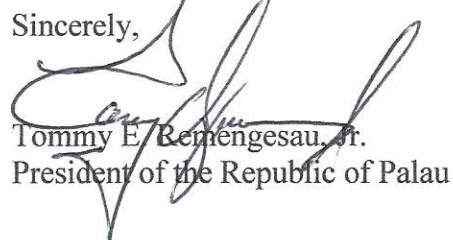


mind, and in order to ensure that we are able to respond to expenditure demands as they arise, we must again exercise fiscal restraint. For that, I will seek your understanding as I exercise my authority under Article IX, Section 15 of the Constitution to line-item reduce the specific appropriations identified below.

Section	Line Item	Appropriation	Item-Reduction	Reduced
Section 25	CSPP Actuarial Study and Trust Fund	\$1,150,000	-\$1,000,000	\$150,000
Section 4(3)	House of Delegates	\$2,890,000	-\$100,000	\$2,790,500

These reductions, I hope, will not greatly impact the overall performance of these reduced-budget activities, rather will provide us with the necessary flexibility and room to effectively manage our expenditure demands as they arise during the course of this budget year, to include also the authorized budget items in this appropriation bill. In addition, I believe that, by exercising restraint at the outset, we can maintain greater capacity to address pressing issues down the road.

Again, working together has brought much improvement in our fiscal position and I look forward to continue working with you to implement a budget that is responsive to the needs of the people of Palau, and that keeps us on track for long-term fiscal sustainability.

Sincerely,  
  
Tommy E. Remengesau, Jr.  
President of the Republic of Palau





**Republic of Palau**  
***Office of the President***

Tommy E. Remengesau, Jr.  
*President*

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September 27, 2017  
Serial No. 17-287

The Honorable Sabino Anastacio  
Speaker of the House of Delegates  
10<sup>th</sup> Olbiil Era Kelulau  
Ngerulmud, Palau National Capitol  
Republic of Palau 96939

**Re: Signing Statement: House Bill No. 10-53-3, HD2, SD3 – Fiscal Year 2018 Budget Act**

Dear Speaker Anastacio:

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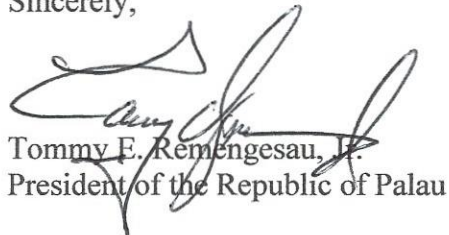
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These reductions, I hope, will not greatly impact the overall performance of these reduced budget activities, but more to provide us with the necessary flexibility and room to effectively manage our expenditure demands as they arise during the course of this budget year to include also the authorized budget items in this appropriation bill. In addition, I believe that, by exercising restraint at the outset, we can maintain greater capacity to address pressing issues down the road.

Again, working together has brought much improvement in our fiscal position and I look forward to continue working with you to implement a budget that is responsive to the needs of the people of Palau, and that keeps us on track for long-term fiscal sustainability.

Sincerely,



Tommy E. Remengesau, Jr.  
President of the Republic of Palau



### Third Regular Session, July 2017

RPPL No. 10-12

AN ACT

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

24 (2) Office of the Vice-President

1	(a)	Vice President's Office	\$379,000
2	(b)	National Emergency Management Office	229,000
3		Sub-Total	\$608,000
4	(3)	Ministry of Finance	
5	(a)	Office of the Minister	\$58,000
6	(b)	Information Systems Support Services	241,000
7	(c)	Bureau of National Treasury	868,000
8	(d)	Bureau of Budget and Planning	641,000
9	(e)	Bureau of Public Service System	246,000
10	(f)	Workmen's Compensation	45,000
11	(g)	Bureau of Revenue & Taxation	700,000
12	(h)	Bureau of Customs	1,000,000
13		Sub-Total	\$3,799,000
14	(4)	Ministry of State	
15	(a)	Office of the Minister	\$58,000
16	(b)	ROP Consulate Office in Guam	129,000
17	(c)	ROP Consulate Office in Saipan	50,000
18	(d)	ROP Embassy in Washington, D.C.	330,000
19	(e)	ROP Embassy in Tokyo, Japan	676,000
20	(f)	ROP Embassy in Taipei, Taiwan	162,000
21	(g)	ROP Embassy in Manila, Philippines	151,000
22	(h)	United Nations Representation Office	329,000
23	(i)	Office of the Public Defender	363,000
24	(j)	Bureau of Trade & Foreign Affairs	451,000
25	(k)	Bureau of Domestic Affairs	286,000
26	(l)	Passport Office	92,000
27	(m)	International Organizations Obligations	250,000
28	(n)	Southwest Island Field Trips/ Sonsorol & Hatohobei	272,000
29	(o)	ROP Embassy for European Union/Climate Change	185,000
30		Sub-Total	\$3,784,000



1	(5)	Ministry of Community & Cultural Affairs	
2	(a)	Office of the Minister	\$58,000
3	(b)	Bureau of National Archive	138,000
4	(c)	Bureau of Youth, Applied Arts and Career	354,000
5	(d)	Bureau of Aging & Gender	377,000
6	(e)	Sports Facilities Maintenance & Utilities	94,000
7	(f)	Bureau of Cultural and Historical Preservation	198,000
8	(g)	Olchotel Belau Fair	30,000
9		Of these funds, the sum of \$10,000, or so much thereof as may be necessary, is	
10		earmarked for distribution to the government of Ngarchelong State to defray the	
11		cost of hosting the Olchotel Belau Fair.	
12	(h)	Palau Severely Disabled Assistance Fund	298,000
13		Sub-Total	\$1,547,000
14	(6)	Ministry of Education	
15	(a)	Office of the Minister	\$58,000
16	(b)	School Books, Supplies & Inst. Equip.	300,000
17	(c)	Bureau of Curriculum & Instruction	508,000
18	(d)	Bureau of School Administration	7,354,000
19	(e)	Food Service Program	846,000
20		Sub-Total	\$9,066,000
21	(7)	Ministry of Public Infrastructure, Industries and Commerce	
22	(a)	Office of the Minister	\$58,000
23	(b)	FAA, UNDP & Other Match	665,000
24	(c)	Bureau of Commercial Development	330,000
25	(d)	Palau Small Business Development (UOG)	45,000
26	(e)	Bureau of Aviation	1,868,000
27	(f)	Bureau of Lands and Survey	899,000
28	(g)	Bureau of Public Works	1,406,000
29		Of these funds, the sum of \$20,000, or so much thereof as may be	
30		necessary, is earmarked for equipment and safety kits for road and	

1	ground crew, this earmarked sum of \$20,000 to be non-lapsing.	
2	(h) Palau Energy Administration	150,000
3	(i) National Capitol Electricity/Maintenance	1,450,000
4	(j) CIP Office Operations	155,000
5		Sub-Total \$7,026,000
6	(8) Ministry of Justice	
7	(a) Office of the Attorney General	\$634,000
8	(b) Bureau of Immigration & Labor	1,062,000
9	(c) Bureau of Public Safety	3,251,000
10	(d) Bureau of Maritime Security & FWP	955,000
11	(e) Narcotics Enforcement Agency	250,000
12		Sub-Total \$6,152,000
13	(9) Ministry of Health	
14	(a) Office of the Minister	\$58,000
15	(b) Bureau of Public Health	1,366,000
16	(c) Health Admin & Support Service	4,102,000
17	Health Administration	(3,592,000)
18	Manila Medical Referral	(210,000)
19	Hawaii Medical Referral	(150,000)
20	Taipei Medical Referral	(150,000)
21	(d) Medical Supplies & Drugs	300,000
22	(e) Hemodialysis	515,000
23	(f) Hyperbaric Chamber	100,000
24	(g) Bureau of Clinical Services	1,991,000
25	(h) Bureau of Nursing	2,414,000
26	(i) Marine Ambulance	150,000
27		Sub-Total \$10,996,000
28	(10) Ministry of Natural Resources, Environment & Tourism	
29	(a) Office of the Minister	\$58,000
30	(b) Bureau of Marine Resources	673,000



1	(c) Bureau of Agriculture	722,000
2	(d) Bureau of Tourism	258,000
3	Sub-Total	\$1,711,000
4	Section 2 Total	\$45,871,000

5 Section 3. Judicial Branch. The sum of \$3,192,000 is hereby authorized to be  
6 appropriated and is hereby appropriated for expenditure or obligation for Fiscal Year  
7 2018 for the purpose of covering the operational and contingent expenses of the Judicial  
8 Branch. The entire amount of the funds authorized and appropriated in this section  
9 shall come from local revenues.

10 Section 4. Legislative Branch. The sum of <sup>\$5,843,000</sup>~~\$5,943,000~~ is hereby authorized to  
11 be appropriated and is hereby appropriated for expenditure or obligation for Fiscal  
12 Year 2018 for the purpose of covering the operational and contingent expenses of the  
13 Legislative Branch. The entire amount of funds authorized and appropriated in this  
14 section shall come from local revenues. The total authorization and appropriation shall  
15 be allocated according to the following schedule:

16	(1) Senate	\$ 2,233,000
17	(2) Senate Legal Counsel Office	210,000
18	(3) House of Delegates	2,790,000 <del>2,890,000</del>
19	(4) House Legal Counsel Office	215,000
20	(5) Joint Staff	275,000
21	(6) Association of Pacific Island Legislatures (APIL)	40,000
22	Palau will be hosting the 2017 APIL Board of Directors Meeting, and the one-	
23	time increase in this amount will fund the cost of hosting.	
24	(7) Inter-Parliamentary Union (IPU)	15,000
25	(8) Palau-Japan Parliamentary Friendship	35,000
26	(9) Electricity for Koror OEK Building	30,000
27	Section 4 Total	<sup>\$5,843,000</sup> <del>\$5,943,000</del>

28 Section 5. Boards, Commissions, and Authorities. The sum of \$1,176,000 is  
29 authorized for appropriation and is hereby appropriated for expenditure and obligation  
30 for Fiscal Year 2018 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	\$217,000
(2)	Palau Election Commission	258,000
(3)	COFA Board of Trustees	50,000
(4)	Palau Code Commission	65,000
(5)	Palau Public Lands Authority	122,000
(6)	Parole Board	30,000
(7)	Palau Housing Authority	70,000
(8)	Ethics Commission	51,000
(9)	Financial Institutions Commission	224,000
(10)	Language Commission	59,000
(11)	Ngardmau Free-Trade Zone Authority	30,000

Section 5 Total \$1,176,000

Section 6. State Block Grants. The sum of \$7,576,000 is hereby authorized to be appropriated and is hereby appropriated for expenditure or obligation for Fiscal Year 2018 for the purpose of State Governments’ operational and capital improvement projects expenses. The amount of funds authorized and appropriated in this section shall come from local revenues, except for \$478,000 which shall come from local revenues and from the excess of the \$2.0 million of the Environmental Protection Fee (Green Fee) in Section 3413 of Title 24. The amount authorized for appropriation shall be available for expenditure for operations and CIP projects in accordance with 40 PNC Chapter 22. The total authorization and total appropriation shall be allocated according to the following schedule, respectively:

(1)	Aimeliik State	\$445,000
(2)	Airai State	\$653,000
(3)	Angaur State	\$409,000
(4)	Hatohobei State	\$342,000



1	(5)	Kayangel State	\$383,000
2	(6)	Koror State	\$946,000
3	(7)	Melekeok State	\$434,000
4	(8)	Ngaraard State	\$480,000
5	(9)	Ngarchelong State	\$480,000
6	(10)	Ngardmau State	\$429,000
7	(11)	Ngeremlengui State	\$438,000
8	(12)	Ngatpang State	\$423,000
9	(13)	Ngchesar State	\$445,000
10	(14)	Ngiwal State	\$429,000
11	(15)	Peleliu State	\$498,000
12	(16)	Sonsorol State	\$342,000

13 Section 6 Total \$7,576,000

14       Section 7.   Independent Agencies.   The sum of \$3,584,000 is authorized for  
15 appropriation and the sum of \$3,484,000 is hereby appropriated for expenditure or  
16 obligation for Fiscal Year 2018 as operating grants or subsidies for independent agencies  
17 of the National Government. The Office of the Public Auditor shall submit a report on  
18 the office's operations and space requirements by January 31, 2018, to the President of  
19 the Republic and the Presiding Officers of the Olbiil Era Kelulau in order to be eligible  
20 to receive in a future appropriation the sum of \$100,000 authorized but not  
21 appropriated in this section.   The entire amount of the funds authorized and  
22 appropriated in this section shall come from local revenues. The total authorization and  
23 appropriation shall be allocated according to the following schedule, respectively:

24	(1)	Office of the Public Auditor	\$632,000
25	(2)	Office of the Special Prosecutor	305,000
26	(3)	Palau Environmental Quality Protection Board (EQPB)	453,000
27	(4)	National Postal Service	482,000
28	(5)	Palau Visitors Authority	1,426,000
29	(6)	National Aviation Administration	186,000

30 Section 7 Total \$3,484,000

Section 8. Other Agencies and Activities. The sum of \$1,873,000 is authorized for appropriation and is hereby appropriated for expenditure or obligation for Fiscal Year 2018 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	\$260,000
(2)	Micronesian Legal Services	125,000
(3)	Palau Community Action Agency	354,000

Of these funds, the sum of \$79,000 or so much thereof as may be necessary, is earmarked for the apprentice program for the Civic Action Team.

(4)	Head Start Program	113,000
(5)	Palau Red Cross	10,000
(6)	WIA Grant Contribution	94,000
(7)	Civic Action Team Share	250,000
(8)	PNOC & Sports Organizations	177,000
(9)	Palau Int'l Coral Reef Center	400,000
(10)	Youth Congress	5,000
(11)	Palau Little League/T-Ball	5,000
(12)	Junior Statesmen of America	10,000
(13)	Peace Corps Contribution	70,000

Section 8 Total    \$1,873,000

Section 9. Education Assistance. The sum of \$5,386,000 is hereby authorized to be appropriated and is hereby appropriated for expenditure or obligation for Fiscal Year 2018 to subsidize the educational institutions and scholarship program set forth below. The total amount authorized to be appropriated and that is hereby 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 Community College	\$2,436,000
(a)	PCC Operations	(2,338,000)



1	(b) PCC Board of Trustees	(38,000)
2	(c) PCC CRE	(35,000)
3	(d) COM Board of Regents	(25,000)
4	(2) Aid to Non-Public Schools	\$947,000
5	(a) Emmaus – Bethania High School	(175,000)
6	(b) Palau Mission Academy	(121,000)
7	(c) Mindszenty High School	(200,000)
8	(d) Ibobang High School	(121,000)
9	(e) Maris Stella School	(120,000)
10	(f) Koror SDA Elementary School	(115,000)
11	(g) Emmaus Kindergarten	(41,000)
12	(h) SDA Kindergarten	(27,000)
13	(i) Catholic Kindergarten	(27,000)
14	(3) National Scholarship Fund	\$2,003,000
15	(a) Spring Semester scholarships & grants	(949,000)
16	(b) Fall Semester scholarships & grants	(949,000)
17	(c) Administrative Expenses	(105,000)

Section 9 Total \$5,386,000

Section 10. Hospital Trust Fund. The amount of \$2,038,000 or the actual amount collected, is hereby authorized to be appropriated and is hereby appropriated for Fiscal Year 2018 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 \$1,981,000 or the actual amount collected is hereby authorized to be appropriated and is hereby appropriated for Fiscal Year 2018 for the purposes of the Protected Areas Network Fund pursuant to 24 PNC § 3413, as amended. The amount authorized to be appropriated in this section shall come from

1 local revenues derived from the collection of the environmental protection fee (“Green  
2 Fee”) during the fiscal year. Any unexpended or unobligated balance of the  
3 appropriation of this section shall not lapse at the end of the fiscal year.

4       Section 12. Road Maintenance Fund. The amount of \$818,000 is hereby  
5 authorized to be appropriated and is hereby appropriated for Fiscal Year 2018 for  
6 purposes of the Road Maintenance Fund to be used for the routine and periodic  
7 maintenance of the Compact Road and other national road infrastructure network. Any  
8 unexpended or unobligated balance of the appropriation of this section shall not lapse at  
9 the end of the fiscal year.

10       Section 13. Deposit Beverage Container. The amount of \$532,000, or the  
11 actual amount collected, is hereby authorized to be appropriated and is hereby  
12 appropriated for Fiscal Year 2018 for the purposes of the Recycling Fund. The amount  
13 authorized to be appropriated and that is hereby appropriated shall come from fees  
14 derived from deposit of beverage containers pursuant to RPPL 7-24, so long as the  
15 actual expenditures or obligations do not exceed actual revenue receipts during the fiscal  
16 year. Any unexpended or unobligated balance of the appropriation of this section shall  
17 not lapse at the end of the fiscal year.

18       Section 14. National Coordinating Mechanism for NCDS. The amount of  
19 \$832,000 or the actual amount collected is hereby authorized to be appropriated for  
20 Fiscal Year 2018 for the purposes of the National Coordinating Mechanism for NCDS.  
21 The amount authorized to be appropriated shall come from the 10% allocation of the  
22 annual revenues derived from taxes imposed on alcoholic beverages and tobacco during  
23 the fiscal year pursuant to RPPL No. 9-57, as amended by RPPL 10-9, so long as the  
24 actual expenditures or obligations do not exceed actual revenue receipts. Any  
25 unexpended or unobligated balance of the appropriation of this section shall not lapse at  
26 the end of the fiscal year.

27       Section 15. All Other General Fund Revolving Accounts. The amount of  
28 \$1,109,000, or the actual amount collected, is hereby authorized to be appropriated and  
29 is hereby appropriated for Fiscal Year 2018 for all other special revolving accounts  
30 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 do 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 16. General Fund Reserve. The amount of \$1,265,000 is hereby authorized to be appropriated and is hereby appropriated for Fiscal Year 2018 for the purposes of the General Fund Reserve pursuant to 40 PNC § 330.

Section 17. Debt Service. The sum of \$2,724,000 is authorized for appropriation and is hereby appropriated for Fiscal Year 2018 for the purpose of payment of periodic interest and principal payments pursuant to the promissory notes under the 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; 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 entire amount authorized to be appropriated and that is hereby appropriated in this section shall come from local revenues, provided that up to \$917,000 as available shall come from environmental protection fee (“Green Fee”) revenues pursuant to 24 PNC § 3413, as amended. 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	\$1,233,000
(2)	ICBC PIA Debt Service	574,000
(3)	ADB Program Loan (WSIP)	917,000
Section 17 Total		\$2,724,000

Section 18. 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

1 countries, organizations, or individual donors, are hereby authorized to be appropriated  
2 and are appropriated for Fiscal Year 2018 in the amounts received for those specific  
3 programs or projects for which they are granted, donated, or otherwise contributed.  
4 U.S. Federal Program Grants cost recoveries associated with such program grants may  
5 be retained for use by the President for such purposes as are needed to implement such  
6 programs or projects for which they were granted. The Minister of Finance shall report  
7 monthly to the Olbiil Era Kelulau (OEK) the receipt of any outside grant or  
8 development assistance in the preceding month. In addition to all other reporting  
9 requirements established by law or regulation, the Minister of Finance shall submit  
10 quarterly reports to the President and the Olbiil Era Kelulau (OEK) setting forth  
11 expenditures and obligations of all funds received from outside sources and expended or  
12 obligated pursuant to this section.

13       Section 19. Reprogramming. The President shall have the authority to  
14 reprogram funds in Sections 2, 5 and 7 of the Fiscal Year 2018 Budget Act in  
15 accordance with 40 PNC § 351.

16       Section 20. Compact Review Office. The sum of \$200,000 is hereby authorized  
17 to be appropriated and the sum of \$100,000 is hereby appropriated for expenditure or  
18 obligation for Fiscal Year 2018 to support and strengthen the capacity of the Board to  
19 monitor, evaluate and review Compact investments. The amount authorized to be  
20 appropriated and that is hereby appropriated in this section shall come from local  
21 revenues. Any unexpended or unobligated balance of the appropriation of this section  
22 shall not lapse at the end of the fiscal year. The services purchased with funds  
23 authorized and appropriated for the purposes of the Compact Review and lobbying  
24 services in Washington D.C. in connection with the passage of the Compact II shall be  
25 exempt from the competitive procurement requirements of Chapter 6 of Title 40 of the  
26 Palau National Code because the services related to the Compact Review Office are  
27 particularly specialized to securing the ratification of the Compact II in the United  
28 States Congress. The Compact Review Office shall issue quarterly status reports to the  
29 President of the Republic and the Presiding Officers of the Olbiil Era Kelulau on office  
30 expenditures and shall submit a report on office expenses by January 31, 2018, to the



1 President of the Republic and the Presiding Officers of the Olbiil Era Kelulau in order  
2 to be eligible to receive in a future appropriation the sum of \$100,000 authorized but not  
3 appropriated in this section.

4       Section 21. PPUC Water & Wastewater Subsidy. The sum of \$1,600,000 is  
5 hereby authorized to be appropriated for expenditure or obligation for Fiscal Year 2018  
6 to subsidize the water and sewer improvement operations of the Palau Public Utilities  
7 Corporation (PPUC). The entire amount authorized to be appropriated and  
8 appropriated in this section shall come from the 50 percent allocation of “Green Fee”  
9 collections for power, water and sewer. Any unexpended or unobligated balance of the  
10 appropriation of this section shall not lapse at the end of the fiscal year. PPUC shall not  
11 increase any tariffs on utilities until after January 31, 2018; PPUC shall provide a report  
12 to the President of the Republic and the Presiding Officers of the Olbiil Era Kelulau on  
13 the water and wastewater improvements as funded by the ADB Loan by January 31,  
14 2018.

15       Section 22. PPUC “Lifeline” Subsidy Program. The sum of \$200,000, is hereby  
16 authorized to be appropriated and is hereby appropriated for expenditure or obligation  
17 for Fiscal Year 2018 for the purpose of the permanent subsidy program for electrical  
18 power, water, and wastewater consumption for fixed or low income household PPUC  
19 customers. The entire amount authorized to be appropriated and appropriated in this  
20 section shall come from the 50 percent allocation of “Green Fee” collections for power,  
21 water and sewer. Any unexpended or unobligated balance of the appropriation of this  
22 section shall not lapse at the end of the fiscal year.

23       Section 23. PPUC Civil Fines. The sum of \$95,000 is hereby authorized to be  
24 appropriated for expenditure or obligation for Fiscal Year 2018 as payment to cover  
25 costs of civil fines incurred by PPUC. The entire amount authorized to be appropriated  
26 in this section shall come from local revenues.

27       Section 24. Micronesian Games. The sum of \$200,000 is hereby authorized to  
28 be appropriated for expenditure or obligation for Fiscal Year 2018 as funding support  
29 for Palau’s participation in the Micronesian Games to be held in Yap State, FSM on

July 2018. The entire amount authorized to be appropriated in this section shall come from local revenues.

Section 25. Civil Service Pension Plan Actuarial Study and Trust Fund. The sum of ~~\$1,150,000~~ <sup>\$150,000</sup> is hereby authorized to be appropriated and is hereby appropriated for expenditure or obligation for Fiscal Year 2018 to fund the Pension Plan Trust Fund. Of these funds, the sum of \$50,000 shall be appropriated to fund the CSPP Actuarial study; provided that CSPP shall work in close collaboration with the Olbiil Era Kelulau and the Ministry of Finance to commission an actuarial study. The actuarial study shall determine viable options toward a comprehensive reform that will ensure long term financial viability of the CSPP. The remaining ~~\$1,100,000~~ <sup>\$100,000</sup> is authorized and appropriated in this section to the Civil Service Pension Plan Trust Fund for the purpose of delaying by one year the anticipated rate increases for employee and employer contributions. The entire amount authorized to be 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.

Section 26. New Correctional Facility Construction. The sum of \$500,000 is hereby authorized to be appropriated and is hereby appropriated for expenditure or obligation for Fiscal Year 2018 to provide additional funding towards the construction of the Republic's new Correctional Facility including environmental assessments, road access, site clearance, basic infrastructure connections and facilities. The entire amount authorized to be appropriated and appropriated in this section shall come from local revenues. Any unexpended or unobligated balance of the appropriation of this section shall not lapse at fiscal year end.

Section 27. Procurement of New Financial Management System (FMS). The sum of \$2,000,000 is hereby authorized to be appropriated for expenditure or obligation for Fiscal Year 2018 for the purpose of procuring a new Financial Management System (FMS) to replace the existing system. The entire amount authorized to be 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.

Section 28. PCRAFI Premium Payment. The sum of \$250,000 is hereby



1 authorized to be appropriated for expenditure or obligation for Fiscal Year 2018 for the  
2 purpose of providing a premium insurance payment to PCRAFI (Pacific Catastrophe  
3 Risk Assessment and Financing Initiative) facility which provides rapid emergency  
4 funding support after natural disasters. The entire amount authorized to be  
5 appropriated in this section shall come from local revenues. Any unexpended or  
6 unobligated balance of the appropriation of this section shall not lapse at the end of the  
7 fiscal year.

8       Section 29. Forum Economic Ministers Meeting (FEMM) Hosting. The sum of  
9 \$50,000 is hereby authorized to be appropriated and is hereby appropriated for  
10 expenditure or obligation for Fiscal Year 2018 to provide funding for the hosting of  
11 Forum Economic Ministers Meeting (FEMM) in fiscal year 2018. The entire amount  
12 authorized to be appropriated and that is hereby appropriated in this section shall come  
13 from local revenues. Any unexpended or unobligated balance of the appropriation of  
14 this section shall not lapse at the end of the fiscal year.

15       Section 30. ADB Contingent LOC Maintenance Fee. The sum of \$25,000 is  
16 hereby authorized to be appropriated for expenditure or obligation for Fiscal Year 2018  
17 as payment for the ADB Contingent LOC Maintenance Fee. The entire amount  
18 authorized to be appropriated and that is hereby appropriated in this section shall come  
19 from local revenues. Any unexpended or unobligated balance of the appropriation of  
20 this section shall not lapse at the end of the fiscal year.

21       Section 31. Amendment. 41 PNC § 742 is hereby amended as follows:

22       “§ 742. Maximum remuneration.

23       The maximum amount of remuneration received during a quarter from one  
24 employer by any one employee upon which contributions must be deducted and  
25 contributed to the Retirement Fund is three thousand dollars (\$3,000); provided,  
26 however, that such maximum amount of remuneration shall be increased to four  
27 thousand dollars (\$4,000) on October 1, 2007 and shall be increased to five thousand  
28 dollars (\$5,000) after October 1, 2008 and shall be increased to six thousand dollars  
29 (\$6,000.00) on October 1, 2015. On October 1, 2017, there will no longer be a maximum  
30 amount of remuneration.”

1           Section 32. Amendment. 41 PNC §§ 743 and 744 are hereby amended as  
2 follows:

3           “§ 743. Employee contributions.

4           (a) An employee shall contribute to the Social Security Administration amounts  
5 equal to the following percentage of remuneration received by him:

6           (1) with respect to remuneration paid from 1 July 1986 through 30 September  
7 1991 - three percent (3%),

8           (2) with respect to remuneration paid from 1 October 1991 through 30  
9 September 1996 - four percent (4%),

10          (3) with respect to remuneration paid from 1 October 1996 through 30  
11 September 2001 - five percent (5%),

12          (4) with respect to remuneration paid after 1 October 2001 - six percent (6%),

13          (5) with respect to remuneration paid after 1 October 2017 – seven percent (7%).

14          ...”

15          “§ 744. Employer contributions.

16          An employer shall contribute to the Social Security Administration amounts equal to  
17 the following percentage of the remuneration paid by him or, in the case of a self-  
18 employed person to whom section 741 applies, deemed to have been paid to him:

19          (a) with respect to remuneration paid or deemed to have been paid from 1 July 1986  
20 through 30 September 1991 - three percent (3%),

21          (b) with respect to remuneration paid or deemed to have been paid from 1 October  
22 1991 through 30 September 1996 - four percent (4%),

23          (c) with respect to remuneration paid or deemed to have been paid from 1 October  
24 1996 through 30 September 2001 - five percent (5%),

25          (d) with respect to remuneration paid or deemed to have been paid after 1 October  
26 2001 - six percent (6%),

27          (e) with respect to remuneration paid or deemed to have been paid after 1 October  
28 2017 – seven percent (7%).”

29          Section 33. Amendment. 24 PNC § 3413, as amended by RPPL 10-2, is hereby  
30 amended as follows:



1           “§ 3413. Environmental Protection Fee (“Green Fee”).

2           (a) Every passenger entering the Republic shall be assessed, and shall pay, an  
3 environmental protection fee (the “Green Fee”) of thirty dollars (\$30); provided that  
4 persons traveling on a passport issued by the Republic of Palau, diplomats, individuals  
5 in possession of a valid Republic of Palau work visa, transit passengers, and masters,  
6 pilots, and other crew members of any vessel or aircraft lawfully operating as a common  
7 carrier, are to be refunded said fee upon arrival. The money generated from collection  
8 of the green fee shall be deposited into two separate accounts within the National  
9 Treasury that shall be separate and distinct from all other accounts as set forth in  
10 subsection (c) below. Nothing in this Act shall preclude the states from collecting tourist  
11 and visitor fees for visiting or using state resources and sites, including Protected Areas  
12 Network (“PAN”) sites.

13           ...”

14           Section 34. Amendment. The following Sections of Chapter 27, Title 40 of the  
15 Palau National Code are amended as follows:

16           “§ 2702. Definitions.

17           In this Chapter:

18           (a) “International Travel” means travel by air or sea into the Republic of Palau.

19           (b) “Passenger” means a person who undertakes international travel into the  
20 Republic of Palau for any purpose other than as a transit passenger.

21           (c) “Transit passenger” means a passenger who has arrived in the Republic of  
22 Palau and will depart the Republic of Palau:

23                   (1) Within 24 hours of that arrival; or

24                   (2) After 24 hours due to circumstances beyond the passenger’s control.

25           § 2703. Imposition of Pristine Paradise Environmental Fee.

26           Every passenger shall pay a Pristine Paradise Environmental Fee of one hundred dollars  
27 (\$100) for each international arrival into the Republic of Palau.

28           § 2704. Refunds of Pristine Paradise Environmental Fee.

29           (a) The following categories of people shall be refunded the Pristine Paradise  
30 Environmental Fee upon arrival into the Republic of Palau:

- (1) Palauan citizens;
- (2) Spouses of Palauan citizens;
- (3) Pilots and other crew members of any aircraft lawfully operating as a common carrier;
- (4) Diplomats carrying a diplomatic passport;
- (5) Individuals in possession of a valid Republic of Palau work visa; and
- (6) Transit passengers.

(b) The Minister of Finance shall have the authority to designate additional categories of people who shall be refunded the Pristine Paradise Environmental Fee through regulation.

...

§ 2708. Transition.

The departure tax set forth under 40 PNC § 1403 shall cease to have effect and shall be repealed upon the assessment of the Pristine Paradise Environmental Fee except that any other allocation or appropriation of the departure tax set forth under 40 PNC § 1403 shall now be applied to § 2706(e)."

Section 35. Appropriation for Melekeok State Government. The sum of \$46,414.00 is hereby authorized for appropriation and is appropriated for expenditure for the Melekeok State Government for the Waiting Station Renovation to be administered by the Ministry of Public Infrastructure, Industries, and Commerce. Such funds shall come from local revenues and shall be non-lapsing.

Section 36. Amendment. Title 41 of the Palau National Code is amended by amending Sections 753, 754, 757, and 764 and by adding new Section 765:

"§ 753. Old age insurance benefit.

...

(b) The monthly amount of the benefit is the basic benefit, with a minimum monthly benefit as defined in Section 751(c) of this Title, plus the Supplemental Benefit Payment in Section 765 of this Title.

...

§ 754. Disability insurance benefit.



...

(b) Subject to subsection (a) and (b), the monthly amount of the benefit is the basic benefit, with a minimum monthly benefit as defined in Section 751(c) of this Title, plus the Supplemental Benefit Payment in Section 765 of this Title.

§ 757. Maximum and minimum amounts of survivor's insurance benefit.

...

(b) The minimum amount of the total of a survivor's insurance benefit is defined in Section 751(c) of this Title, plus the Supplemental Benefit Payment in Section 765 of this Title, computed before the application of section 755(c).

...

§ 764. Basic Benefit Shortfall.

...

(b) For purposes of this section:

...

(2) the basic benefit as calculated under Section 751(a)(1) is a monthly payment of one-twelfth of twenty-seven percent (27%) of the first eleven thousand dollars (\$11,000) of cumulative earnings, or the minimum basic benefit as defined in Section 751(c) of this Title plus the Supplemental Benefit Payment in Section 765 of this Title, whichever is the amount due to be paid to a beneficiary;

...

Section 765. Supplemental Benefit Payment.

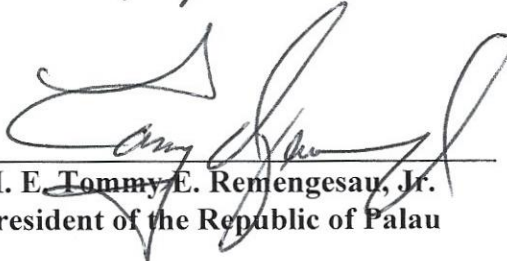
There shall be an additional monthly fifty dollar (\$50) supplemental benefit payment for all recipients of benefits under Subchapter VI of this Title."

Section 37. Severability. If any provision of this Act is found to be invalid or unconstitutional by a court of competent jurisdiction, then the offending part or portions may be severed from the rest of the bill and the remaining parts or portions shall continue in full force and effect.

Section 38. Effective date. This Act shall take effect upon its approval by the President of the Republic of Palau, or upon its becoming law without such approval.

**PASSED: September 13, 2017**

Approved this 27 day of Sept., 2017.



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**H. E. Tommy E. Remengesau, Jr.**  
**President of the Republic of Palau**