



REPUBLIC OF PALAU
OFFICE OF THE PRESIDENT

SURANGEL S. WHIPPS, JR.
President

The Senate
Olbiil Era Kelulau
Koror, Republic of Palau 96940
PRES. COM. 12-212

July 3, 2026
Serial No.: 26 - 3967

The Honorable Hokkons Baules
President of the Senate
Twelfth Olbiil Era Kelulau
Ngerulmud, Palau National Capitol
Republic of Palau 96940

The Honorable Gibson Kanai
Speaker of the House of Delegates
Twelfth Olbiil Era Kelulau
Ngerulmud, Palau National Capitol
Republic of Palau 96940

Re: Signing Statement for RPPL 12-7, the Fiscal Year 2026 Supplemental Budget

Dear Senate President Baules and Speaker Kanai:

Today, I am pleased to sign Senate Bill No. 12-68, SD3, HD1, CD1 into law. I thank the members of both houses of the Olbiil Era Kelulau for their careful consideration of this legislation and for the many productive discussions that took place throughout the process. While the final bill does not include every proposal originally requested by the Executive Branch, it reflects meaningful compromise and provides resources that are necessary to continue delivering essential government services. At the same time, several important matters remain unresolved and require prompt legislative attention. Those issues should be addressed as riders to upcoming legislation so that unnecessary delays can be avoided. As discussed below, I respectfully urge the Olbiil Era Kelulau to give those remaining issues immediate consideration.

Among the most significant provisions is the appropriation for the newly established COFA Management Office. The work associated with implementation of the 2023 Compact Review Agreement did not end when the formal review concluded. The Republic continues to manage major Compact implementation efforts, coordinate with the United States Government, oversee consultants and lobbyists, pursue Compact-funded projects, and ensure that Palau fully realizes the benefits negotiated under the Agreement. Continued coordination is essential to protecting the Republic's long-term interests. The law conditions release of these funds upon submission of a written organizational plan to the Olbiil Era Kelulau. That requirement will be satisfied through a

RECEIVED
The Senate, OEF
Date 7/6/26 Time 11:35am
No 12-1243
P.O. Box 6051, Palau, PW 96940
Tel. (680) 767-2403/2828
Fax. (680) 767-2424/1662
Email: admin@palaupresident.info

SENATE-KOROR
DATE: 7/6/26 TIME: 11:35am
RECEIVE BY: ef



separate letter transmitted today together with the Executive Order formally establishing the COFA Management Office and describing its organization and responsibilities.

I am concerned, however, that the final bill removed the procurement exemption that has consistently accompanied funding for Compact-related work. This exemption is not incidental. Since the beginning of the Compact Review process, the Republic has worked with the same lobbying and government relations team in Washington, D.C., and that team has developed the institutional knowledge, relationships, and continuity needed to protect Palau's interests. Although the Compact Review Agreement has been signed, implementation remains an evolving process. New opportunities continue to arise, requiring ongoing engagement with the United States Government and Congress. Changing our representation now, or forcing an unnecessary procurement process in the middle of this continuing work, would create delay, disrupt continuity, and weaken Palau's ability to fully realize the benefits of the 2023 Compact Review Agreement. I respectfully request that the Olbiil Era Kelulau reconsider this issue immediately and restore the procurement exemption for the COFA Management Office.

I also wish to note one provision with which I respectfully disagree. The act limits the additional appropriation provided to the Office of the Attorney General by prohibiting its use for outside counsel or legal services performed outside the Republic. The reality is that circumstances regularly arise in which the Republic's legal interests are directly affected by proceedings in foreign jurisdictions and retaining qualified off-island legal counsel is therefore both appropriate and necessary. This limitation unnecessarily restricts the Republic's ability to respond effectively when those situations arise.

I would, however, like to address some additional issues that were not fully resolved through this legislation. First, I appreciate the willingness of the Olbiil Era Kelulau to work toward compromise regarding the Infrastructure Maintenance Fund. At the same time, retaining the requirement that Infrastructure Maintenance Fund projects receive separate legislative appropriations will continue to delay infrastructure projects that already have funding available. As previously explained, these delays increase costs, postpone important public improvements, and slow delivery of projects that benefit our people. I remain hopeful that this issue can be revisited so that Infrastructure Maintenance Fund resources may be deployed more efficiently while preserving appropriate legislative oversight.

Next, I understand the OEK's desire to address the financial challenges facing the Palau Public Utilities Corporation through separate standalone legislation rather than through the supplemental budget. I am prepared to work cooperatively toward that objective. However, we cannot allow the promise of future legislation to become an excuse for further delay. The financial condition of PPUC requires prompt action. Every month that passes without meaningful reform makes the problem more difficult and more expensive to solve. For that reason, the supplemental utility subsidy contained in this bill has been reduced because those funds should instead be incorporated into comprehensive legislation that restores PPUC's ability to generate sufficient revenue to



remain financially sustainable while continuing to protect the public interest. The Republic cannot continue to postpone decisions that everyone recognizes must ultimately be made.

I have further decided to exercise my line-item reduction authority to reduce the supplemental appropriations provided to the Olbiil Era Kelulau, similar to the reduction made to the supplemental appropriation for the Office of the President. I accepted that reduction as part of the compromise reflected in this Act, and I believe fiscal restraint should be shared equally among all branches of government. At times such as these, we must all be prepared to make sacrifices.

With those observations, I am pleased to approve this Act. I thank the members of the Olbiil Era Kelulau for their partnership and commitment to responsible governance, and I look forward to continuing our work together on the Aircraft Registry legislation, the Elite Visa legislation, Social Security reform, and the forthcoming pension reform legislation. Those measures provide an opportunity not only to advance important national priorities, but also to promptly address several of the outstanding issues discussed in this statement. I remain committed to working collaboratively with the Olbiil Era Kelulau to ensure that these matters are resolved without unnecessary delay.

Sincerely,

Surangel S. Whipps, Jr.
President of the Republic of Palau



The Senate
TWELFTH OLBIIL ERA KELULAU
 P.O. Box 8, Ngerulmud
 Republic of Palau 96940

Seventh Special

Session

July 2026

INTRODUCED AS SENATE BILL NO. 12-68, SD3, HD1, CD1

AN ACT

See Title Inside

INTRODUCED BY ~~SENATOR~~ (\$) PRESIDENT SURANGEL S. WHIPPS, JR.

ET, AL.,

DATE INTRODUCED June 04, 2026

SENATE ACTION

FIRST READING:	June 04, 2026
REFERRED TO:	Ways and Means & Financial Matters
STANDING COMMITTEE REPORT NO.:	12-93
DATE ADOPTED:	June 12, 2026
SECOND READING:	June 12, 2026
LEGAL FORMAT:	Proper
REVIEW:	June 12, 2026
THIRD READING:	June 15, 2026
FINAL READING:	July 03, 2026

HOUSE ACTION

FIRST READING:	June 17, 2026
REFERRED TO:	Ways & Means and Financial Matters
STANDING COMMITTEE REPORT NO.:	12-28
DATE ADOPTED:	June 26, 2026
SECOND READING:	June 26, 2026
LEGAL FORMAT:	Proper
REVIEW:	June 26, 2026
THIRD READING:	June 27, 2026
FINAL READING:	July 03, 2026

CONFERENCE COMMITTEE ACTION

DATE:	July 03, 2026
COMMITTEE REPORT NO.:	12-5
DATE PASSED:	July 03, 2026
FINAL READING:	July 03, 2026


 Reagan Sidoi

CLERK OF THE SENATE


 Leilahi Senior

CLERK, HOUSE OF DELEGATES

AN ACT

To authorize and appropriate additional sums from the National Treasury for general operations and capital improvements of the Republic of Palau for Fiscal Year 2026 through amendments to RPPL 12-3; to authorize the use of additional Fiscal Year 2023 Debt Consolidation Fund monies for targeted debt reduction and prepayment; to increase residential electric utility subsidies; to amend RPPL 11-37 and 12-3 to provide for non-lapsing funds for the FY2023 national audit; and for other related purposes.

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

Section 1. Short title. This Act shall be known as and may be cited as the “Fiscal Year 2026 Supplemental Budget Act.”

Section 2. Amendment. Section 2 of RPPL 12-3 is amended as follows:

“Section 2. Executive Branch Operations. The sum of \$69,328,593 is authorized to be appropriated and is hereby appropriated for expenditure and obligation for Fiscal Year 2026 for the purpose of covering the operational and contingent expenses of the Executive Branch. The total amount to be appropriated shall come from the following sources: the amount of \$27,769,593 shall come from local revenues; the amount of \$7,500,000 shall come from lapsed funds appropriated but not expended or obligated in Sections 2, 5, and 7 of RPPL 11-37; the amount of \$8,255,000 shall come from the Compact Trust Fund (CTF); the amount of \$20,008,000 shall come from the 2023 Compact Review Agreement (CRA2023) fund for Operations; \$4,921,000 shall come from the Cyclical Reserve Fund; and the amount of \$875,000 shall come from the Pristine Paradise Environmental Fund allocation for the Palau International Airport. The total amount authorized to be appropriated and hereby appropriated in this section shall be allocated according to the following schedule, respectively:

(1) Office of the President

(a) President’s Office \$1,250,000

...

(f) COFA Management Office and EAG \$400,000

Funds authorized and appropriated for the COFA Management Office and EAG shall be released by the National Treasury for expenditure only after the Executive Branch submits a written plan

*for the organization of the office and its responsibilities to the Olbiil
Era Kelulau.*

...

Sub-Total \$2,040,000

...

(5) Ministry of Education

...

(e) Bureau of School Operations \$9,950,000

Sub-Total \$13,170,000

...

(6) Ministry of Justice

...

(b) Office of the Attorney General \$1,300,000

*The additional \$300,000 appropriated to the Office of the Attorney
General as of the effective date of this Act shall be used only for
salaries and benefits of employees of the Office of the Attorney
General and local office rent, utilities, office supplies, and
equipment for offices, personnel, property, and services located
within the geographic boundaries of the Republic. These funds shall
not be used for outside counsel, legal services performed outside the
Republic, consultants, travel, or any purpose other than those listed
herein, and shall not be reprogrammed under 40 PNCA § 351 or any
other law or otherwise transferred for any other purpose.*

(c) Bureau of Public Safety \$7,385,000

*Of this amount, the sum of \$1,473,540 is earmarked for the Division
of Maritime Security and Fish & Wildlife Protection.*

...

Sub-Total \$8,879,000

(7) Ministry of Health and Human Services

1	...	
2	(d) Palau Severely Disabled Assistance Fund	\$1,225,000
3	...	
4	(f) Bureau of Hospital & Clinical Services	\$10,791,593
5	(g) Bureau of Health System Administration	\$2,160,000
6	...	
7		Sub-Total \$17,825,593

8	...	
9	(9) Ministry of Public Infrastructure & Industries	
10	...	
11	(d) Bureau of Marine Transportation	\$570,000
12	...	
13	(g) Bureau of Public Works	\$2,265,000
14	<i>Of this amount, the sum of \$265,000 is earmarked for the Solid</i>	
15	<i>Waste Management Office to meet the cost of the contract for</i>	
16	<i>Babeldaob waste collection.</i>	
17		Sub-Total \$9,130,000

18 ...

19 Section 2 Appropriation Total \$69,328,593”

20 Section 3. Amendment. Section 4 of RPPL 12-3 is hereby amended as follows:

21 “Section 4. Legislative Branch. The sum of \$8,700,136 is authorized to be

22 appropriated and is hereby appropriated for expenditure or obligation for Fiscal Year

23 2026 for the purpose of covering the operational and contingent expenses of the

24 Legislative Branch. The entire amount of funds authorized and appropriated in this

25 section shall come from local revenues. The total authorization and appropriation shall

26 be allocated according to the following schedule:

27	(1) Senate	\$3,165,000 \$3,465,000	
28	(2) Senate Legal Counsel Office	\$330,278 \$430,278	
29	(3) House of Delegates	\$3,372,218 \$3,672,218	
30	(4) House Legal Counsel Office	\$357,414 \$457,414	

(5) Joint Staff

~~\$355,226~~
~~\$395,226~~

(6) Koror OEK Office

~~\$50,000~~
~~\$60,000~~

...

Section 4 Total

~~\$7,850,136~~
~~\$8,700,136~~

Section 4. Amendment. Section 8 of RPPL 12-3 is hereby amended to read as follows:

“Section 8. Other Agencies and Activities. The sum of \$1,937,000 is authorized to be appropriated and is hereby appropriated for expenditure or obligation for Fiscal Year 2026 as grants or subsidies for recurring programs and activities. The entire amount of funds authorized and appropriated is in this section shall come from local revenues. The total authorization and appropriation shall be allocated according to the following schedule, respectively:

...

(2) Micronesian Legal Service

\$155,000

...

Section 8 Total \$1,937,000”

Section 5. Amendment. Section 18 of RPPL 12-3 is hereby amended as follows:

“Section 18. Infrastructure Maintenance Fund.

(a) The sum of \$1,000,000 is hereby authorized to be appropriated and is hereby appropriated for Fiscal Year 2026 for the purpose of matching funds provided by the Government of the United States to the Infrastructure Maintenance Fund established by the 2023 Compact Review Agreement, as amended. The amount authorized to be appropriated and hereby appropriated shall come from the revenues derived from the Road Use tax and prior year balance of the Road Maintenance Fund so long as actual expenditures or obligations do not exceed the balance available in the Road Maintenance Fund, provided that such funds may only be expended or obligated in accordance with Section 1404(b) of Title 40 of the Palau National Code. Any unexpended or unobligated balance of the appropriation of this section shall not lapse at the end of the fiscal year. Notwithstanding any other law,

any use of the Infrastructure Maintenance Fund must be specifically authorized and appropriated by the Olbiil Era Kelulau.

(b) The amount of \$17,165,815 is authorized and appropriated for Fiscal Year 2026 for Infrastructure Maintenance Fund projects, and the entire amount authorized to be appropriated and hereby appropriated for these projects shall come from the Infrastructure Maintenance Fund.”

Section 6. Amendment. Section 19 of RPPL 12-3 is hereby amended as follows:

“Section 19. Debt Service. The sum of \$23,290,477 or the actual amounts for interest and principal due and payable is authorized to be appropriated and the amount of \$21,060,477 is hereby appropriated for Fiscal Year 2026 for the purpose of payment of periodic interest and principal payments pursuant to the promissory notes under (1) the Asian Development Bank (ADB) Water Sector Improvement Program (WSIP) loan for various infrastructure and institutional capacity improvement initiatives; (2) the Asian Development Bank Disaster Resilience Program (ADB DRP) loan to finance short-term post-disaster financing needs; (3) the Asian Development Bank Health Expenditure and Livelihoods Support (ADB HEALS) loan to finance the severe adverse impact of COVID-19 on our economy; (4) the Asian Development Bank Recovery through Improved Systems and Expenditure Support Program (ADB RISES) loan to support critical public sector management reforms; (5) the Mega International Commercial Bank loan agreement for the purpose of housing development; (6) the Asian Development Bank Strengthening Fiscal Resilience for Sustainable Development Program policy-based loan; (7) the PHA Mega Bank Loan; (8) the ADB Program Loan (KASP); (9) advanced payment on the NDBP-Republic of China (Taiwan) loans (Mega Commercial Bank (Taiwan) and ICDF Taiwan; (10) the North Pacific Regional Connectivity Investment Project (ADB BSCC Loan) for the purpose of connecting a submarine cable from Palau to the international cable hub in Guam; and (11) advanced Payment on the loan for 409 E. 50th Street in Manhattan. Of the amount authorized to be appropriated and hereby appropriated in this section, \$13,783,143 shall come from the 2023 CRA Debt Consolidation Fund, and the

remainder of \$7,277,334 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 total authorization and appropriation amount shall be allocated to the following allocation schedule:

(1)	ADB Program Loan (WSIP)	\$1,140,000
(2)	ADB DRP Loan Financing	\$1,900,000
(3)	ADB HEALS Loan Financing	\$1,442,000
(4)	ADB RISES Loan Financing	\$5,825,053
(5)	Housing Development Loan Project	\$1,540,000
(6)	ADB Strengthening Fiscal Resilience	\$130,000
(7)	PHA Mega Bank Loan	\$480,000
(8)	ADB Program Loan (KASP)	\$3,000,000
(9)	Advanced Payment on NDBP-Republic of China (Taiwan) loans (Mega Commercial Bank (Taiwan) and ICDF (Taiwan))	\$4,603,424
(10)	ADB BSCC Loan	\$1,000,000
<i>To ensure fiscal stability, on or before September 30, 2026, the BSCC shall provide a written report to the Olbiil Era Kelulau detailing the BSCC's fiscal strategy that addresses its short and medium-term financial obligations.</i>		
(11)	Advanced Payment for the Loan on 409 E. 50 th Street, NY	2,230,000
<i>This amount of \$2,230,000 is authorized but not appropriated.</i>		

Section 19 Total \$21,060,477”

Section 7. Amendment. Section 23 of RPPL 12-3 is hereby amended as follows:

“Section 23. PPUC Lifeline Subsidy Program, Residential Water and Wastewater, Residential Electricity, and Residential Utility Government Efficiency Rebate Program. The sum of ~~\$3,510,000~~ ^{\$2,235,000} is hereby authorized to be appropriated and is hereby appropriated for expenditure or obligation for Fiscal Year 2026 for the purpose of covering the Lifeline Subsidy Program of the Palau Public Utilities Corporation (PPUC), and PPUC Residential Water and Wastewater and Residential Electricity subsidies. 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.

...

(c) Residential Electricity

~~\$1,700,000~~
\$425,000

To subsidize diesel fuel cost, an offset \$0.10 per kWh of the amount billed for electricity for the first 500 kWh per month provided to each residential customer. The PPUC shall reduce each customer's billed cost per kWh by \$0.10 and show on each customer's bill the amount of the offset applied to such customer.

..."

Section 8. Amendment. Section 43 of RPPL 12-3 is amended as follows:

"Section 43. Belau Games and Youth Intra-State and Inter-State Programs. The sum of \$510,000 is hereby authorized to be appropriated and is hereby appropriated for expenditure or obligation for Fiscal Year 2026 to provide funding for the Belau Games and youth intra-state and inter-state programs. Of this amount, \$30,000 shall be appropriated to each state for state team support, and \$30,000 shall be appropriated to the Palau National Olympic Committee. The governor of each state shall administer the funds for the purpose of the Games and youth intra-state and inter-state programs. Each state shall provide a report detailing expenditures made pursuant to this section and the number of participants to the President of the Republic and each house of the Olbiil Era Kelulau within 90 days of the end of the fiscal year in which the funds were expended. Any unexpended or unobligated balance of that state's distributed funds shall not lapse at the end of the fiscal year and may be expended by that same state for future Belau Games, or any youth intra-state and inter-state programs, or related programs with substantially the same purpose, subject to the same reporting requirements. The entire amount of \$510,000 authorized and appropriated in this section shall come from local revenues."

Section 9. Amendment. Section 44 of RPPL 12-3 is amended as follows:

1 **"Section 44. Palau Major League. The sum of \$25,000 is hereby authorized to**
2 **be appropriated and is hereby appropriated for expenditure or obligation for Fiscal**
3 **Year 2026 for Palau Major League Baseball. The entire amount authorized to be**
4 **appropriated and appropriated in this section shall come from local revenues."**

5 Section 10. Amendment. Section 45 of RPPL 12-3 is amended as follows:

6 **"Section 45. Angaur State Boat. The sum of \$175,000 is hereby authorized to be**
7 **appropriated and is hereby appropriated to Angaur State exclusively for costs**
8 **associated with the state-owned boat, including but not limited to repayment of existing**
9 **loans or other expenditures directly related to acquisition, financing, or replacement**
10 **of the boat. The entire amount authorized to be appropriated and appropriated in this**
11 **section shall come from local revenues."**

12 Section 11. Amendment. Section 58 of RPPL 11-37, as amended by RPPL 12-3,
13 is further amended as follows:

14 **"Section 58. Required National Audit for FY 2023. The sum of \$415,500 is**
15 **hereby authorized to be appropriated and is hereby appropriated to the Ministry of**
16 **Finance for expenditure or obligation for Fiscal Year 2025 to pay the fees associated**
17 **with annual national audit for Fiscal Year 2023 as required under the 2023 Compact**
18 **Review Agreement. The entire amount authorized to be appropriated and**
19 **appropriated in this section shall come from the Section 211(f) Fund. Any unexpended**
20 **or unobligated balance of the appropriation of this section shall not lapse at the end of**
21 **the fiscal year."**

22 Section 12. Left vacant.

23 Section 13. Left vacant.

24 Section 14. Amendment. Section 69 of RPPL 12-3 is hereby amended as follows:

25 **"Section 69. Koror State Government. The sum of \$250,000 is hereby**
26 **authorized to be appropriated and is hereby appropriated to Koror State Government**
27 **for expenditure or obligation for Fiscal Year 2026 for the purposes of solid waste**
28 **management operations, collection trucks, and collection maintenance. The entire**

1 amount of the funds authorized and appropriated in this section shall come from local
2 revenue.

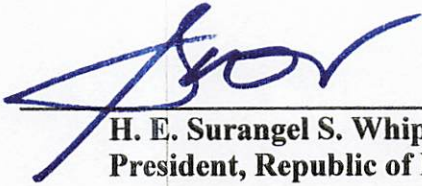
3 Section 15. Severability. If any provision of this Act is found to be invalid or
4 unenforceable, the remaining provisions shall remain in full force and effect.

5 Section 16. Amended totals. Any totals in RPPL 12-3 which are modified by the
6 amendments within this Act are amended to be consistent with this Act.

7 Section 17. Effective date. This Act shall take effect upon its approval by the
8 President of the Republic of Palau, or upon its becoming law without such approval.

Passed on: July 3, 2026

Approved this 3rd day of July, 2026.


H. E. Surangel S. Whipps, Jr.
President, Republic of Palau