.RAE STATE LEGISLATURE

.EGULAR SESSION, FEBRUARY 2026 L.B. No. 13-263

W&M/R&D

A BILL FOR AN ACT

To amend the Kosrae State Code by amending certain Sections under Chapter 9 of Title 11, to include "exportation" as another prohibited activity under the Kosrae State Resource Royalty Act; and for other purposes.

BE IT ENACTED BY THE KOSRAE STATE LEGISLATURE

Section 1. Purpose. The purpose of this Act is to amend the Kosrae State Code by amending certain Sections under Chapter 9 of Title 11, to include "exportation" as another prohibited activity under the Kosrae State Resource Royalty Act

Section 2. Amendment. Chapter 9, Title 11 of the Kosrae State Code is hereby amended to read as follows:

"Chapter 9. Resources Royalty

Section 11.901. Title. This Chapter may be known and cited as the "Kosrae State Resource Royalty Act of 2014."

Section 11.902. Purpose. The purpose of this Chapter is to provide a mechanism for the assessment and payment of royalties on extraction, use, exportation or development of the living and non-living natural resources of the State of Kosrae. The royalty assessment and payment of royalties is in addition to:

(a) The requirement for a foreign investment permit obtained in accordance with the Foreign Investment Act, as may be amended; and

(b) A lease of public land in accordance with Chapter 1 of Title 11 of the Kosrae State Code, as may be amended; and

(c) The requirement for a Development Review Permit in accordance with the Regulations for Development Projects, as may be amended;

(d) The requirement for a municipal business license;

Except that a royalty assessment is not required if there is an access and benefit sharing agreement in accordance with the Research and Access and Benefit Sharing Act and the regulations promulgated there under, as may be amended, however that agreement may take specific provision for the payment of royalties however termed.

Section 11.903. Definitions. As used in this Chapter, unless the context otherwise requires, the term:

(1) Director means the Director of the Department of Resources and Economic Affairs, or his or her designee.

(2) Fiscal Year means the 12-month period from October 1 of one calendar year through September 30 of the succeeding calendar year.

(3) Natural Resources means any material that, when extracted, harvested, developed, cultivated, exported, or otherwise exploited, has an economic value.

Natural resources include, but are not limited to:

(a) gas, oil, coal or other minerals; and

(b) reef, pelagic or ornamental fish, clams, pearls, sea-cucumber, trochus, shrimp, coral, sponges, seaweed, or any other marine plant, animal or organism; and

(c) trees, herbs, and the flowers, bark, leaves, roots, or other parts of plants; whether or not those living resources referred to in subsections (b) and (c) are indigenous or native to the State of Kosrae.

(4) Public Land means any land to which the State or Government holds title to, or in which it has a use interest, including land which is public property. It includes, but is not limited to, State-owned forests, mangroves, reef flats, blue holds, channels, harbors, and the continental shelf within the territorial waters of the State of Kosrae.

(5) Person means any individual, firm, corporation, association, partnership, agency, authority, commission, foundation; the Government of the State of Kosrae, its political subdivisions; a state created entity, municipality, or other institution or entity, whether public or private.

(6) Responsible Agency means the government department or agency responsible for the management of the specific natural resources of public land from where the natural resource was extracted or harvested.

(7) Royalty means compensation payable to the State of Kosrae for the extraction, harvest, development, cultivation, exportation, or other exploitation of the natural resources of the State of Kosrae.

(8) Royalty Assessment means the assessment and calculation of royalties by the Director in accordance with Section 11.904.

(9) State means the State of Kosrae.

Section 11.904. Requirement for a Royalty Assessment.

(1) The extraction, harvest, development, cultivation, exportation, or exploitation of natural resources in the State of Kosrae, on public land, shall be subject to the payment of royalties.

(2) An application for a preliminary royalty assessment, with the following information, shall be submitted to the Director prior to the commencement of the activity, or at the commencement of the fiscal year in the case of activities undertaken in successive years;

(a) Summary of activity being undertaken, including-

(i) The name of the natural resources(including, species if relevant) being extracted, cultivated, exported, or harvested; and

(b) The expected per unit(Piece rate, kilograms as is appropriate) gross value at the time of harvest, or export from the State if it is not for domestic consumption or use; and

(c) Any additional information that the Director may request.

(3) An application for a final royalty assessment, with the following information, shall be submitted to the Director at the conclusion of the activity, if activity is a short term or once-off activity, or within fourteen (14) working days of the conclusion of the fiscal year if the activity is an on-going activity:

(a) Summary or activity undertaken, including-

(i) The name of the natural resource (including, species if relevant)extracted, cultivated, exported, or harvested:

(ii) The quantity or volume (in pieces or kilograms) extracted, cultivated, exported, harvested; and

(b) The per unit (piece rate, kilograms as is appropriated) gross value at the time of harvest, or export market from the State if it is not domestic consumption or use, and appropriate evidence of this value such as receipts for purchase in export market, sales records, or similar; and

(c) Any additional information that the Director may request.

(4) The Director shall provide the person with a preliminary or final royalty assessment within fourteen (14) working days of receiving the application for a preliminary or final royalty assessment.

Section 11.905. Prescription of Royalty Rates.

(1) The Director shall prescribe the minimum royalty rates for natural resources by Regulation, within three months of the effective date of this Act.

(2) In cases where there is no prescribed minimum royalty rate, the Director may by written notice prescribe the royalty rates for a specific project.

(a) the Director shall publish the notice:

(i) By placing copies of the notice at each municipal office, the FSM Post Office, the Office of the Public Information, and the Kosrae State Legislature; and

(ii) Local radio.

Section 11.906. Payment of Royalty. The royalty shall be due and payable within thirty (30) calendar days of the final royalty assessment being provided to the person in writing by the Director.

Section 11.907. Appeal Against Royalty Assessment.

(1) Any person aggrieved by decision of the Director in making a royalty assessment may request a hearing with the Director.

(2) The hearing shall be conducted in accordance with rules and regulations promulgated pursuant to this Chapter, or in the absence of such rules and regulations in accordance with the Administrative Procedures Act.

(3) Any person further aggrieved by the final decision of the Department may seek judicial review of the decision in accordance with the provisions of the Administrative Act.

Section 11.908. Deposit of Fund. All royalties collected pursuant to the provisions of this Chapter shall be deposited into the Kosrae State General Fund.

Section 11.909. Ownership of Resource. Ownership of any natural resource extracted, exported, or harvested from the State of Kosrae does not pass to the person who extracted, exported, or harvested the resource unless and until the assessed royalties have been paid by the person.

Section 11.910. Seizure and Forfeiture of Natural Resources.

(1) The natural resources extracted, exported, or harvested by any person required under this Chapter to obtain a royalty assessment, and to pay such royalties, may be seized by the Director, or responsible agency, if the person does not first obtain a preliminary resource assessment or does not pay such royalties by the required time.

(2) The Director, or responsible agency, shall on seizure of the natural resources, provided the person with a receipt listing the natural resources seized.

(3) The Kosrae State Court has jurisdiction to order the seizure and forfeiture of anything subject to forfeiture under subsection (1) upon a determination that the seizure and forfeiture is reasonably related to an offense committed in violation of this Chapter. The Attorney General may initiate an action for forfeiture on behalf of the State. If the Court enters judgment for the State in a civil forfeiture proceeding, the Attorney General shall seize any property or other interest declared forfeited to the State that has not previously been seized pursuant to this Chapter.

(4) Pending completion of a civil forfeiture proceeding, the seized property remains in the State's custody until disposition pursuant to law. At the Court's discretion, the seized property may be discharged upon deposit with the Court of a satisfactory bond or other security at least equal in value to the fair market value of the seized property. The bond or other security shall be conditional upon the delivery of the property to the Court upon order,

without any impairment of its value, or payment of the fair market value of the property upon order of the Court. Judgment shall be recoverable on the bond or other security against the principal and any sureties if any condition of the bond is beached.

(5) The Director, or responsible agency, may, after consultation with the Attorney General, sell any natural resources that are perishable. If the administrative official makes all reasonable efforts to sell the perishable articles, but was unable to do so, or where the articles were unfit for sale, the Director, or responsible agency may dispose of the articles as they determines appropriate. The proceeds of any sale shall be deposited with Court pending disposition of any legal or forfeiture proceedings under this Title.

(6) The State shall hold any natural resources seized under this Chapter, but not ordered forfeiture in any legal proceeding, until all fines, orders for costs or damages and penalties imposed under this Chapter have been paid. If the fines, costs, damages and penalties are not paid within the time allowed by law, the State shall sell the seized natural resources and remit to the owner any balance of the proceeds, after deducting all fines, damages, penalties and costs, and the costs of maintenance, storage and sale. If the proceeds of the sale does not satisfy the fine, damages, penalties and costs owing to the State, the owner of the seized natural resources remains liable for the balance.

(7) No person shall remove, without proper authorization, any natural resources seized by the State under this Chapter. Where any natural resources held or forfeited under this Chapter has been unlawfully removed from the State's custody, it is subject to seizure at any time.

(8) The State is not liable for any loss, damage, or deterioration in the condition of natural resources in its custody pursuant to this Chapter. The Court may order the State to pay compensation for any proven loss and for costs if it determine that:

(a) There were not reasonable grounds for the seizure; and

(b) The owner or other persons entitled to the property suffered an unreasonable loss as a result of the seizure.

Section 11.911. Unlawful Acts. In addition to any other act, which may be prohibit pursuant to any other provision of the laws or regulations of the State of Kosrae, a person shall be civilly liable if he or she:

(1) Does not submit a royalty assessment to the Director prior to the commencement of the activity, or prior to the commencement of the fiscal year.

(2) Does not pay any amount calculated in the royalty assessment within 30 days of it becoming due and payable;

(3) Provides false and misleading information to the Director in the preliminary or final royalty assessment.

Section 11.912. Penalties.

(1) There shall be a civil penalty of not more than $1,000.00 for providing false information to the Director in a preliminary or final royalty assessment.

(2) There shall be a civil penalty of not more than $2,000.00 for failing to submit a royalty assessment or failing to pay the royalty assessment within the required time.

Section 11.913. Regulations. With the approval of the Governor, the Director may promulgated regulations required to fully implement the provisions of this Act."

Section 3. Effective Date. This Act takes effect upon the approval of the Governor or upon its becoming law without such approval.

Date: 03/10/26

Introduced by:

Artson S. Talley

Yamado A. Melander

Ramsey S. George