

SECOND NORTHERN MARIANAS CONSTITUTIONAL CONVENTION

SAIPAN, CM 96950

Telephone

6517/6572

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REPORT TO THE CONVENTION BY THE  
COMMITTEE ON FINANCE AND OTHER MATTERS

Subject: Committee Recommendation No. 49

Members

Lorenzo I. Deleon Guerrero  
Alonzo Iglisomar  
David L. Igitol  
Rita H. Inos  
Benusto R. Kaipat  
Estevan M. King  
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Paul A. Mangiona  
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Aniceto H. Mundo  
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Karl T. Reyes  
Joaquin A. Tenorio  
Francisco Tomokane  
William S. Torres  
Ramon G. Villagomez  
Ignacio Villanueva

The Committee on Finance and Other Matters recommends that the Convention meeting in Committee of the Whole adopt the attached recommendation with respect to operating deficits of the Commonwealth Government.

The Committee's recommended constitutional amendment addresses the matter of operating deficit and not public debt. Section 4, Article X of the Constitution prohibits public indebtedness for operating expenses of the government.

The intent of Delegate Proposal No. 268-85 has been incorporated in the Committee's amendment. The Committee recommendation adds three new sentences to Section 4 which would require the legislature to adopt a seven (7) year plan to liquidate the government operations deficit incurred since the inception of the Commonwealth Government. The deficit is estimated at \$15 million up through fiscal year 1985.


The plan will require the government to repay the EDLF, CIP, and retirement fund contributions it has "borrowed" to fund government operations. If the legislature fails to act, a citizen may have the court impose a debt retirement plan on the government.


The Committee recommendation also would require the government to retire in a succeeding fiscal year any future operations deficits.

Your Committee is in accord with the intent and purpose of Delegate Proposal No. 268-85 and recommends its passage on final reading in the form attached hereto on Committee Draft 1.

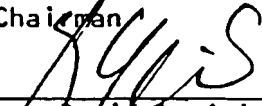
Respectfully submitted,

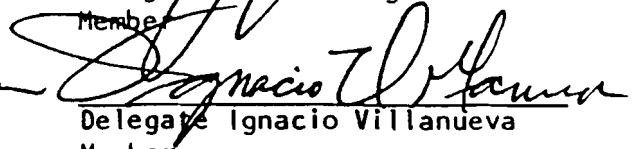
  
\_\_\_\_\_  
Delegate Lorenzo I. Guerrero  
Chairman

  
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Delegate James M. Mendiola  
Member

  
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Delegate Maria T. Pangellinan  
Member

  
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Delegate Rita H. Inos  
Vice-Chairman

  
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Delegate David L. Igitol  
Member

  
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Delegate Ignacio Villanueva  
Member

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A PROPOSED CONSTITUTIONAL AMENDMENT

To amend Article X, Section 4 to add the prohibition against public debt.

BE IT ADOPTED BY THE SECOND CONSTITUTIONAL CONVENTION:

Upon ratification pursuant to Section 5 of Article XVIII of the Commonwealth of the Northern Mariana Islands Constitution and Public Law No. 4-30, the Constitution of the Commonwealth of the Northern Mariana Islands is amended to read as follows:

1. Effective upon ratification, Section 4, Article X is hereby amended  
2 to read:

3           "Section 4: Public Debt Limitation. Public indebtedness  
4           other than bonds or other obligations of the government payable  
5           solely from the revenues derived from a public improvement or  
6           undertaking may not be authorized in excess of ten percent of  
7           the aggregate assessed valuation of the real property within  
8           the Commonwealth. Public indebtedness may not be authorized  
9           for operating expenses of the Commonwealth government or its  
10          political subdivisions. Before January 1, 1987, the legislature  
11          shall adopt a seven-year plan in which the government operations  
12          deficit through fiscal year 1985 shall be retired. If the  
13          legislature fails to adopt or adhere to the plan, any person  
14          may bring an action to require the government to reallocate its  
15          expenditures in accordance with a court ordered plan. If an  
16          operating deficit is incurred in future fiscal years, the govern-  
17          ment shall retire the deficit during the succeeding fiscal year."

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FLOOR AMENDMENT TO CR NO. 49

1. Replace the title with the following:

To add two new sections to Article X relative to the liquidation of deficits, and requiring employment ceilings in appropriations acts.

2. Strike out lines 1-17 and replace with the following:

1. Effective upon ratification, two new sections are added to Article X to read:

Section \_\_\_\_\_. Liquidation of Deficits. Whenever a government operations deficit should occur in the General Fund of the Commonwealth as a result of a shortfall in revenue collections or for any other reason, the legislature shall reduce the appropriations for the second fiscal year following the fiscal year in which the deficit occurred below the amount of anticipated revenues for that fiscal year in an amount equal to or greater than the amount of the deficit. The deficit shall be liquidated in such manner; Provided, that in the event the deficit to be liquidated exceeds fifteen percent of the total operations budget for the previous fiscal year, the legislature may carry-forward the excess for liquidation in the next fiscal year. In the event actual revenues for a fiscal year in which the legislature was required to take the action specified by this section are insufficient to liquidate the deficit, the unliquidated portion of the deficit shall be considered a deficit for the fiscal year for which the action was required to be taken. For purposes of liquidating the cumulative deficit incurred through fiscal year 1984, the deficit shall be divided into seven equal portions, each of which shall be added to any deficit which the legislature shall liquidate under this section.

Section \_\_\_\_\_. Government Employment. In the annual appropriations acts, the legislature shall establish ceilings on the number of persons that may be employed by each branch, department, agency, authority and public corporation of the Commonwealth. Except upon specific approval by joint resolution of the legislature, no public funds may be expended for personnel in excess of the ceilings so established."

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To add two new sections to Article X relative to the liquidation of deficits, and requiring employment ceilings in appropriations acts.

2. Strike out lines 1-17 and replace with the following:

- I. Effective upon ratification, two new sections are added to Article X to read:

Section \_\_\_\_\_. Liquidation of Deficits. Before October 1, 1986, the legislature shall adopt a seven-year plan in which the government operations deficit through fiscal year 1985 shall be retired in equal shares. If the legislature fails to adopt or adhere to the plan, any person may bring an action to require the government to reallocate its expenditures in accordance with a deficit reduction plan. If an operating deficit is incurred in future fiscal years, the government shall retire the deficit during the second consecutive fiscal year following the year.

Section \_\_\_\_\_. Government Employment. In the annual appropriations acts, the legislature shall establish ceilings on the number of persons that may be employed by each branch, department, agency, authority and public corporation of the Commonwealth to which public funds are appropriated. Except upon specific approval by joint resolution of the legislature, no public funds may be expended for personnel in excess of the ceilings so established.

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2 to read:  
3 "Section 4: Public Debt Limitation. Public indebtedness  
4 other than bonds or other obligations of the government payable  
5 solely from the revenues derived from a public improvement or  
6 undertaking may not be authorized in excess of ten percent of  
7 the aggregate assessed valuation of the real property within  
8 the Commonwealth. Public indebtedness may not be authorized  
9 for operating expenses of the Commonwealth government or its  
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11 shall adopt a seven-year plan in which the government operations  
12 deficit through fiscal year 1985 shall be retired. If the  
13 legislature fails to adopt or adhere to the plan, any person  
14 may bring an action to require the government to reallocate its  
15 expenditures in accordance with a court ordered plan. If an  
16 operating deficit is incurred in future fiscal years, the  
17 government shall retire the deficit during the succeeding fiscal  
18 year."

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21 Adopted by the Committee of the Whole and by the Convention  
on July 15, 1985.