

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

Subject: Committee Recommendation No. 24

The Committee on Finance and Other Matters recommends that the Convention meeting in Committee of the Whole adopt the attached proposed constitutional amendment imposing a ceiling on the legislative budget.

The Committee's recommended constitutional amendment would impose a ceiling of \$2.8 million on the budget of the legislature. This amount would be divided equally between the House of Representatives and the Senate. The ceiling would represent an upper limit of \$1.4 million for each house; the actual amount received each year by each house (up to but not more than the ceiling) and its distribution for various purposes would be left up to the annual appropriations process. The proposed amendment would also permit, but not require, upward adjustment of the ceiling in an amount equal to the rate of inflation as measured by the U.S. Department of Commerce consumer price index.

Your Committee carefully considered the relevant delegate proposals, along with written testimony, House Joint Resolution No. 18, and Senate Bill No. 4-76. In its deliberations, the Committee sought to answer several questions:

1. What amount is an appropriate ceiling for the budget of the legislature?
2. Should the ceiling be apportioned between the two houses, and, if so, what amount should be apportioned to each house?
3. Should the ceiling provide further apportionment within each house, and, if so, how and in what amounts?
4. Should a time period be established during which the ceiling would be applied?

With respect to the appropriate amount for a ceiling on the legislative budget, your Committee found that the lowest figure recommended was \$2 million and the highest figure was \$3 million. Your Committee respectfully adopted the figure of \$2.8 million, which was recently agreed upon by the Senate and House of Representatives, at least informally, as the most appropriate amount for the legislative budget. The \$2.8 million figure can be

found both in Senate Bill 4-76 and in recent supplemental appropriations legislation.

With respect to the question of apportionment of the ceiling between the two houses, your Committee determined that the best approach is to allocate the ceiling equally between the two houses. We feel it would be unrealistic to leave it up to the legislature to decide how the ceiling is to be divided, since doing so could easily lead to unnecessary political fights between the two houses. This view was also supported by the Director of Finance. Various views were expressed as to the proportion each house should receive. Although the House of Representatives has more members than the Senate, your Committee feels that the equal distribution is the fairest approach because 1) both houses must support central administrative, clerical, and professional staffs, 2) both houses have similar fixed expenses for building maintenance and representation in regional organizations and before the U.S. government, 3) both houses have approximately the same number of committees, 4) both houses must act on the same legislation, and 5) each member of the Senate represents, and must keep in touch with, a larger number of constituents.

As to the question of whether the proposed constitutional amendment should provide a further breakdown within each house, your Committee decided it is not appropriate to go into this kind of detail in the constitution. To do so would unduly restrict the flexibility of the legislature in providing for its budget. Consequently, this should be left to the annual appropriations act or statute enacted by the legislature.

With respect to the final question of whether a time period should be established during which the ceiling would apply, your Committee determined that the ceiling should be permanent unless changed by constitutional amendment, but a means for adjustment for inflation should be provided in order to prevent a serious fiscal crunch for the legislature as a result of rising price levels. Your Committee noted that setting a fixed dollar amount to apply over a period of time, e.g. seven years, would have the effect of imposing a reduction in the legislative budget each year in an amount equal to the rate of inflation, since each year one dollar would buy less goods and services. This could have very adverse consequences, particularly if we were to experience a period of high inflation, since the process of constitutional amendment is slow and difficult.

In conclusion, your Committee finds that a constitutional provision establishing a ceiling on legislative spending is an

appropriate approach to controlling the costs of government. We note that many states indirectly limit legislative spending by either having a part-time legislature or limiting the number of session days each year. Such an indirect approach may not be the best for our young Commonwealth, but a legislative budget ceiling is a reasonable alternative.

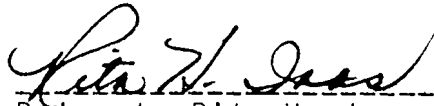
Delegate Proposals: Your Committee carefully considered two delegate proposals in its deliberations, Delegate Proposal No. 5-85 and Delegate Proposal No. 68-85. While your Committee adopted both proposals in principle, we established a different ceiling and apportionment of the ceiling between the two houses, for the reasons stated above.

Therefore, your Committee strongly urges all delegates to support the attached committee recommendation.

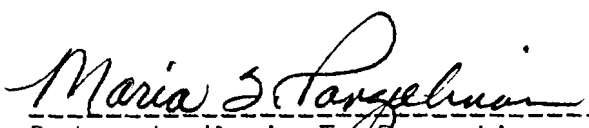
Respectfully submitted,



Delegate Lorenzo I. Guerrero
Chairman



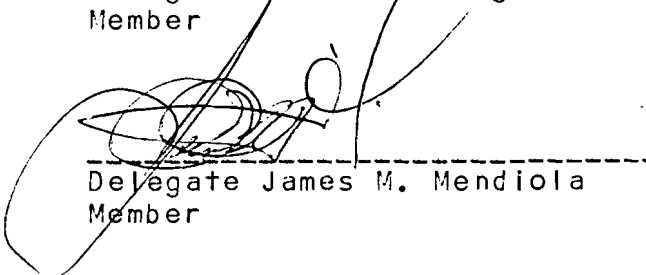
Delegate Rita H. Inos
Vice Chairperson



Delegate Maria T. Pangelinan
Member



Delegate David Igitol
Member



Delegate James M. Mendiola
Member

Delegate Ignacio Villanueva
Member

A PROPOSED CONSTITUTIONAL AMENDMENT

To add a new section to Article II, to establish a ceiling
of \$2,800,000 on the budget of the legislature.

~~2,500,000~~

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 as follows:

1 I. Effective upon ratification, a new section is added to
2 Article II to read:

3 "Section _____. Budget Ceiling. There shall be a
4 ceiling on the budget of the legislature.

5 a) Appropriations, or obligations and
6 expenditures, for the operations and activities of the
7 legislature may not exceed two million eight hundred
8 thousand dollars in any fiscal year; ~~Provided, that this~~
9 ~~amount may be adjusted for each fiscal year by a percentage~~
10 ~~which will be the same as the percentage change in the~~
11 ~~United States Department of Commerce composite price index~~
12 ~~using the beginning of fiscal year 1986 as the base.~~ This
13 ceiling on the legislative budget shall be divided equally
14 between the Senate and the House of Representatives.

15 b) Obligations and expenditures for the
16 operations and activities of the legislature for the period
17 October 1 through the second Monday in January of a fiscal
18 year in which there is a regular general election may not
19 exceed seven hundred thousand dollars or the spending
20 authority otherwise available by law, whichever is less.
21 This ceiling shall apply to the various offices and

1 activities in the same proportions as the annual spending
2 authority provided by law."

3 II. Transition Provision. Upon ratification, the ceilings
4 imposed by this amendment shall apply to the legislature on
5 a pro rata basis computed with respect to the number of
6 days remaining in the periods specified.

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11 Committee on Finance and
12 Other Matters
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