

21 June 1995

To the Committee on Legislative Branch and Public Finance

Proposed Article X Agenda

This Agenda deals with each section of Article X for which proposals have been submitted.

1. Section 1 - Public Purpose. Proposals 43, 252, and 301 and 365
  - A. Taxes may only be levied for a public purpose. A 1985 amendment directs the Legislature to define public purpose. Updating proposals would remove this direction as being legislative in nature.
  - B. Should public purpose be defined in the Constitution? Is the lack of a definition causing a problem. Proposal 301 contains a definition.
  - C. Should a provision be added that the power to tax may never be surrendered, suspended or privatized?
  
2. Section 6 - Deficits. Proposals 7, 253, 304, 362 and 375
  - A. Added in 1985, this section provides for a seven year plan to reduce the then existing deficit and requires the reduction of any future deficit the year after the deficit is incurred. Counsel have suggested removing the transitional language with respect to the 1985 deficit.
  - B. Many delegates have asked about deficit reduction but there are few proposals.
  - C. Shall a Revenue Council be established to prepare revenue estimates for budgeting purposes?
  - D. Should a mechanism be created for basing the annual budget on a concept called the Gross Commonwealth Product?
  - E. What should happen if a deficit is incurred? When does a deficit occur? How quickly should it be retired? What if the Legislature does not act to reduce the deficit? These are important questions of public finance upon which the Committee may wish to solicit expert assistance and hold public hearings.
  
3. Section 8 - Control of Public Finance. Proposals 44 and 254
  - A. These are updating proposals to remove a provision added in 1985 which counsel has identified as legislative in nature.
  
4. Section 5 - Taxes. Proposals 26, 75 and 364; 92, 280, 366 and 378
  - A. Should the limitation on taxing real property be removed, as suggested by the Governor?
  - B. Should only real property put to commercial use be taxed?
  - C. Several proposals deal with new taxes.
    1. Should new taxes be levied only after approval in a

popular initiative?

2. Should new taxes be levied only if approved by a two-thirds majority in each house of the legislature?

3. Shall public hearings be required before taxes can be raised? On all three main islands?

D. Should a Tax Review Commission be established to periodically review the CNMI's tax policies? The legislature has created a Tax Task Force but has not funded it.

5. Section 9 - Taxpayers Actions. Proposals 78 and 206

A. Should the provision for taxpayers actions seeking to stop public spending be eliminated, as the Governor has suggested? Counsel are researching the issue of whether such actions could still be filed under other provisions of CNMI law.

B. Should the provision for taxpayers suits be expanded to include actions to force the government to implement constitutional requirements within a reasonable period of time? A detailed mechanism for doing so (no. 206) contains provisions, such as for awarding fees, which may be legislative in nature.

6. Section 7 - Government Employment. Proposals 303, 380 and 436

A. Shall the 1985 amendment requiring the Legislature to establish ceilings for governmental employment be repealed?

B. If not repealed, shall the Education, Health and Public Safety departments set their own staffing levels? Shall a cap be placed on government spending for all Commonwealth employees except for public health and safety? For all local government employees?

6. Miscellaneous - Proposals 302

A. Shall the Governor continue to be required to report on tax exemptions every five years? Section 2.

7. New sections. Proposals 60, 344; 263, 363, and 414.

A. Several proposals deal specifically with appropriations bills.

1. Shall all revenue go into the general fund?

2. May a law earmark revenue for a specific purpose?

3. May funds be spent if not authorized in an appropriations bill?

4. May the Legislature mandate programs without funding them?

B. Shall tax rebate funds be held in trust and used for no purpose other than tax rebates?

C. Should there be a tax refund or credit whenever there are consecutive balances in the general fund exceeding five percent of annual revenue?

D. The presence of so many proposals dealing with taxation and spending suggest that this is an area in which the Committee may wish to seek expert assistance and hold public hearings.