



TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH LEGISLATURE

HOUSE OF REPRESENTATIVES

COMMITTEE ON WAYS AND MEANS

P.O. BOX 500586 SAIPAN, MP 96950

RALPH N. YUMUL

CHAIRMAN

STANDING COMMITTEE REPORT NO. 23-16

DATE: April 4, 2023

RE: HOUSE BILL No. 23-26

The Honorable Edmund S. Villagomez
Speaker of the House of Representatives
Twenty-Third Northern Marianas
Commonwealth Legislature
Capitol Hill
Saipan, MP 96950

Dear Mr. Speaker:

Your Committee on Ways and Means to which was referred:

House Bill No. 23-26: "To amend 4 CMC §1402(g)(1) to allocate 10 percent of the excise tax to the Solid Waste Management Revolving Fund."

begs leave to report as follows:

I. RECOMMENDATION:

After considerable discussion, your Committee recommends that H. B. NO. 23-26 be passed by the House in its current form.

HOUSE CLERK'S OFFICE

RECEIVED BY *[Signature]*

DATE 04/23 TIME 11:57 AM

II. ANALYSIS:**A. Purpose:**

The purpose of this Act is to amend 4 CMC §1402(g)(1) to allocate 10 percent of the excise tax to the Solid Waste Management Revolving Fund.

B. Committee Findings:

Your Committee finds that Public Law 13-42 established a Solid Waste Management Revolving Account to provide financial support to the Commonwealth Solid Waste Management Systems. The findings stated that “with the completion of the new Integrated Solid Waste Management System for Saipan and the upgrading of the solid waste management facilities on Tinian and Rota, the costs of the environmentally sound management of solid waste in the Commonwealth will continue to increase and the development of an adequate funding source to partially cover the increased costs is essential to the economic well-being of our residents. In addition, the Legislature finds that the diversion of solid waste from disposal, and the preservation of our limited landfill capacity, is in the best interest of the Commonwealth, and that providing a stable, long term funding source is essential to developing projects maximizing diversion such as recycling and composting.” During this time, the Division of Solid Waste Management in consultation with the Governor’s Solid Waste Management Task Force estimated that the funding for all aspects of solid waste management within the Commonwealth would require approximately \$3.8 million per annum. To assure available revenue, if such appropriation was necessary, and to offset revenue earmarked for the Solid Waste Management Revolving Fund Account, additional revenue sources were established. The Act imposed a tax rate of .42% ad valorem on all consumer goods as defined in the public law and established the Environmental Beautification Tax for deposit into the General Fund to off-set the earmarked portion of the excise taxes deposited into the Solid Waste Management Revolving Fund.

Your Committee further finds that Public Law 18-64 gradually increased the cigarette tax from \$2.00 per pack to \$2.75 per pack for three years after the effective date of the Act and thereafter the cigarette tax shall be increased to \$3.75 per pack. Moreover, this Act decreased excise taxes reserved for the Solid Waste Management Revolving Fund from 10 percent to 7 percent, created the Cancer Fund Special Account to which 3 percent of excise taxes shall be deposited and reserved for cancer treatment and programs, and reserved fifty percent of all excise taxes collected under 4 CMC §1402 (a) (16) to be deposited into an account to fund the payment of the Commonwealth’s share of the Group Health and Life Insurance benefits and for enforcement.

Your Committee finds that the Marpi Landfill is a 26-acre waste management facility with six cells of two and a half million cubic yards of airspace. A cell is where the trash is stored by compressing the garbage, while airspace pertains to the disposal capacity of the cell. The landfill began operating in 2003, and the disposal rate, or the amount of garbage dumped at the facility, was considerably low for the first two years. However, a 2019 feasibility study from GHD and Gershman, Brickner & Bratton, Inc. reported the alarmingly high consumption of airspace and disposal rate at the landfill in the last 10 years. They disclosed that 28% of the facility's airspace has been exhausted as of February 2019, and Cells 1 and 2's lifespan was approximately six years, down to about four years by now. That would make it around 2025. A news report in 2018 indicated Cell 1, which has the biggest capacity of the six cells, has reached its capacity. For Cell 2 to be expanded, Cell 3 must be opened first.

Your Committee is cognizant that the cost of services has drastically increased over the years. The funding required to cover all aspects of solid waste management within the Commonwealth would require approximately \$3.8 million per annum was estimated back in 2002. This Act will reinstate and allocate 10% of the excise tax to the Solid Waste Management Revolving Fund which is critical and necessary to ensure that serious health, safety, and environmental consequences are avoided through adequate funding to ensure its sustainability. Therefore, your Committee agrees with the intent and purpose of House Bill 23-26 and recommends the House pass the legislation in its current form.

C. Public Comments/Public Hearing:

The Committee did not solicit comments for House Bill 23-26.

D. Legislative History:

House Bill No. 23-26 was introduced by Representative Blas Jonathan "BJ" T. Attao on March 9, 2023 and was subsequently referred to the House Standing Committee on Ways and Means for disposition.


E. Cost-Benefit Analysis:

Please see attached "Cost Benefit Analysis for HB 23-26".

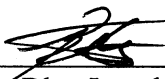
II. CONCLUSION:

The Committee is in accord with the intent and purpose of H. B. NO. 23-26 and recommends its passage in its current form.


Respectfully submitted,




Rep. Ralph N. Yumul, Chairman



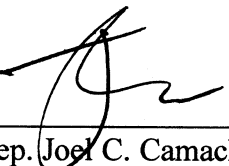
Rep. Blas Jonathan "BJ" T. Attao, Vice Chair



Rep. Roman C. Benavente, Member




Rep. Angelo A. Camacho, Member



Rep. Joel C. Camacho, Member

Rep. Vicente C. Camacho, Member




Rep. Manny Gregory T. Castro, Member

Rep. Joseph A. Flores, Member

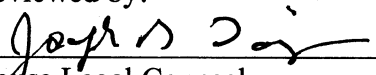
Rep. Thomas John DLC. Manglona, Member

Rep. Julie Marie A. Ogo, Member



Rep. John Paul P. Sablan, Member

Rep. Patrick H. San Nicolas, Member

Reviewed by:


House Legal Counsel

Cost Benefit Analysis for HB 23-26

If implemented, HB 23-26 will provide the Department of Public Works (DPW) with a 10% share of the .42% tax imposed on all consumer goods derived from the Environmental Beautification Tax codified through Public Law 14-42 which currently sits at a rate of 7% that is appropriated to DPW for the Solid Waste Management Program. As an example, the total forecast for the Revised Fiscal Year 2023 Excise Tax collections amount to \$40,040,738. Should the Solid Waste Management Program be given 10% of the Environmental Beautification Tax from the forecasted excise tax collections, this would amount to roughly \$1.68 million. If we take the average of the forecasted excise tax collections for the past three fiscal years, this would amount to an average of \$1.58 million that the Solid Waste Management Program would receive which is roughly \$460 more that the Solid Waste Program would receive each year over the past three fiscal years. A breakdown of this figure is shown below.

<u>FY 2023 Revised Budget Forecasted Excise Tax Collections</u>		<u>.42% Envir. Beaut. Rate</u>	<u>Current 7% Share to Solid Waste</u>	<u>10% share to Solid Waste</u>	<u>Increase</u>
Cigarettes	\$13,330,698	\$5,598,893	\$391,923	\$559,889	\$167,967
Beer & Malt Beverages	\$3,441,232	\$1,445,317	\$101,172	\$144,532	\$43,360
Other Commodities	\$23,268,807	\$9,772,899	\$684,103	\$977,290	\$293,187
Total:	\$40,040,737	\$16,817,110	\$1,177,198	\$1,681,711	\$504,513
<u>FY 2022 Forecasted Excise Tax Collections</u>					
Cigarettes	\$12,406,711	\$5,210,819	\$364,757	\$521,082	\$156,325
Beer & Malt Beverages	\$3,026,924	\$1,271,308	\$88,992	\$127,131	\$38,139
Other Commodities	\$19,971,070	\$8,387,849	\$587,149	\$838,785	\$251,635
Total:	\$35,404,705	\$14,869,976	\$1,040,898	\$1,486,998	\$446,099
<u>FY 2021 Forecasted Excise Tax Collections</u>					
Cigarettes	\$12,007,910	\$5,043,322	\$353,033	\$504,332	\$151,300
Beer & Malt Beverages	\$2,976,197	\$1,250,003	\$87,500	\$125,000	\$37,500
Other Commodities	\$19,494,738	\$8,187,790	\$573,145	\$818,779	\$245,634
Total:	\$34,478,845	\$14,481,115	\$1,013,678	\$1,448,111	\$434,433
<u>Average of forecasted Excise Tax collections for last 3 fiscal years</u>	\$36,641,429	\$15,389,400	\$1,077,258	\$1,538,940	\$461,682

TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH

LEGISLATURE

IN THE HOUSE OF REPRESENTATIVES

MARCH 9, 2023

First Regular Session, 2023

H. B. 23-26

A BILL FOR AN ACT

To amend 4 CMC 1402 (g)(1) to allocate 10 percent of the excise tax to the Solid Waste Management Revolving Fund.

**BE IT ENACTED BY THE 23RD NORTHERN MARIANAS
COMMONWEALTH LEGISLATURE:**

1 **Section 1. Findings.** The Legislature finds that 10 percent of the total excise
2 tax collected under 4 CMC 1402 should be allocated to the Solid Waste Revolving
3 Account.

4 **Section 2.** Title 4 of the CNMI Code section 1402 (g) (1) is amended to
5 read as follows:

6 “(1) ~~Seven~~ Ten percent of excise taxes collected under 4 CMC 1402
7 (g)(1) shall be reserved for the Solid Waste Management Program and
8 deposited into the Solid Waste Management Revolving Fund to be
9 expended by the Secretary of the Department of Public Works.”

10 (2) [unchanged]

11 (3) [unchanged]

1 **Section 3. Severability.** If any provisions of this Act or the application of
2 any such provision to any person or circumstance should be held invalid by a court
3 of competent jurisdiction, the remainder of this Act or the application of its
4 provisions to persons or circumstances other than those to which it is held invalid
5 shall not be affected thereby.

6 **Section 4. Savings Clause.** This Act and any repealer contained herein
7 shall not be construed as affecting any existing right acquired under contract or
8 acquired under statutes repealed or under any rule, regulation, or order adopted
9 under the statutes. Repealers contained in this Act shall not affect any proceeding
10 instituted under or pursuant to prior law. The enactment of the Act shall not have
11 the effect of terminating, or in any way modifying, any liability, civil or criminal,
12 which shall already be in existence on the date this Act becomes effective.

13 **Section 5. Effective Date.** This Act shall take effect upon its approval by
14 the Governor, or it becoming law without such approval.

Prefiled: 3/6/2023

Date: _____

Introduced by: /s/ Rep. Blas Jonathan "BJ" T. Attao
/s/ Rep. Roman C. Benavente
/s/ Rep. Manny G. T. Castro
/s/ Rep. Marissa R. Flores
/s/ Rep. Julie M.A. Ogo
/s/ Rep. John Paul P. Sablan
/s/ Rep. Edmund S. Villagomez
/s/ Rep. Denita Kaipat Yangetmai
/s/ Rep. Ralph N. Yumul

Reviewed for Legal Sufficiency by:
/s/ John M. Bradley
House Legal Counsel