



The Senate
NORTHERN MARIANAS COMMONWEALTH LEGISLATURE
P.O. BOX 500129
SAIPAN, MP 96950

STANDING COMMITTEE REPORT NO. 23-77
Date: February 26, 2024
RE: House Bill No. 23-56

Honorable Edith E. DeLeon Guerrero
President of the Senate
Twenty-Third Northern Marianas
Commonwealth Legislature
Saipan, MP 96950

Dear Madam President:

Your Committee on Fiscal Affairs, to which was referred House Bill No. 23-56, entitled:

“To utilize the remaining sixty percent (60%) of the total of indirect cost revenue or reimbursement by fiscal year collected for each grant to address the CNMI Government’s financial deficit; and for other purposes”;

begs leave to report as follows:

I. RECOMMENDATION:

After considerable discussion and deliberation, your Committee recommends the passage of the proposed legislation in the form of House Bill No. 23-56, Senate Draft 1.

II. ANALYSIS:

A) Purpose:

The purpose of House Bill No. 23-56 is to address the CNMI Government’s financial deficit through the utilization of the remaining sixty percent of the total indirect cost revenue or reimbursement by fiscal year collected for each grant administered by the CNMI Office of Grants Management-State Clearinghouse.

B) Committee Findings:

Your Committee finds that the CNMI Government is presently faced with a severe financial deficit that has affected the entire Commonwealth. The circumstance must be addressed and rectified for the betterment of the Commonwealth. Your Committee further finds that although certain practices such as tax hikes and imposed spending restrictions are implemented in other jurisdictions in the same circumstance, these are not viable options for the sustainability of the Commonwealth. Therefore, there is a need to address the concern through other avenues.

Your Committee further finds that the CNMI Office of Grants Management-State Clearinghouse (OGM-SC) is funded by forty percent of total indirect cost revenue or reimbursement by fiscal year. It is the intent of House Bill No. 23-56 to tap into the remaining sixty percent of revenue or reimbursement of the total indirect costs from grants by fiscal year as a source of funds to address the financial deficit of the CNMI Government.

Your Committee met on October 2, 2023, and continued deliberation on October 3, 2023, to formally discuss the proposed legislation and review the comments submitted to the Committee. During deliberation, your Committee agreed to several recommendations offered by the CNMI OGM-SC to (1) insert language to ensure that of the total twenty percent set aside for subgrants that the Municipalities of Rota and Tinian receive a minimum of five percent respectively of funding assistance; (2) insert additional position titles for Grants Specialists II & III and Grant Writers II & III; (3) further expand the Administrator's authority under 1 CMC § 2893 (c), with the Governor's concurrence, to loan, cover cost-share and matches, and provide lines of credit for federal projects and reimbursements; and (4) insert provisional language for the promulgation of rules and regulations within six months about the additional authority of the Administrator indicated under 1 CMC § 2893 (c). Furthermore, it was the consensus of your Committee to table the proposed legislation to allow the Committee an opportunity to seek additional clarification on the additional proposed amendments reflected in the written comments submitted by OGM-SC.

Your Committee met on November 20, 2023, to formally discuss the proposed legislation with the presence of Ms. Frannie Torres-Salas, Director, Office of Personnel Management. During deliberation, your Committee agreed to submit a written request to Raymond M. Muna, Chairperson of the Civil Service Commission regarding whether or not the Civil Service Commission receives any federal grants or indirect costs as a result of grants that others may have applied for through the Office of Grants Management. Your Committee further deliberated with Director Torres-Salas regarding Request for Personnel Action (RFP) processes. Director Torres-Salas explained the RFP and the various steps that lead to the final signature of the Governor, OPM Director, and the employee. Further discussion was shared detailing the timeline and reasons for delays in the process. Director Torres-Salas shared with the Committee that OPM was able to receive a small percentage of the indirect cost reimbursement during the hour reduction of the previous administration. Further deliberation occurred regarding whether or not OPM has a running tab of requests made to CNMI OGM-SC to absorb the costs that are not in OPM's purview. Through

analysis, it was determined that the running tab for FY2024 is \$107,000 needed to keep the staff at 80 hours and that the OPM personnel is funded through the general fund. During the meeting, it was the consensus of the members to table the proposed legislation to seek clarification from the Office of Grants Management and agencies affected.

Your Committee met on February 26, 2024, to formally discuss the proposed legislation with the presence of Mr. Epiphanio Cabrera, Administrator of the Office of Grants Management. During the meeting your Committee and Administrator Cabrera deliberated on the recommendations provided by the CNMI OGM-SC, in addition to the recommendations the agency provided in September of 2023. Administrator Cabrera shared that the Committee may utilize both proposals in deciding on the proposed legislation. The Committee and Administrator Cabrera deliberated further on the breakdown of the percentages outlined in the new submission and the submission from September 2023. Your Committee discussed what a cost pool is and how it applies to the indirect costs of the CNMI, as well as what agencies are in the cost pool. Further discussion occurred regarding OPA and CSC being in the cost pool and what role the CSC plays in the process. Your Committee and Administrator Cabrera further discussed the single audit and the expected timeline for its completion. Further deliberation occurred regarding section (f) of the September 30, 2023 submission regarding allowing line(s) of credit with CNMI OGM-SC. Further discussion occurred regarding the development of the CNMI workforce and present examples of such enhancement such as the “Solar For All” Program. The Committee and Administrator Cabrera discussed other grants and various agencies that are part of the collaboration and those that should be. Further discussion occurred regarding the status of the \$800,000 feasibility study of the implementation of a ferry in the CNMI. The Committee deliberated on the percentage proposed for the OPA.

During the meeting, no member objected to the passage of the proposed legislation with the amendments as proposed by the Committee to divvy up the 100% indirect cost revenues as follows: 25% to the Department of Finance, 3.5% to the Office of Management and Budget, 3.5% to the Office of Personnel Management, 1% to the Office of the Public Auditor, 1% to Administrative Services, 40% to the Office of Grants Management, 1% to the Civil Service Commission, 25% to the CNMI Government, with the understanding that this percentage is placed in an account separate from the general fund to be used for the budget deficit. An additional amendment was proposed to incorporate language to provide that of the 20% provided for subgrants, 5% shall be reserved for Tinian and 5% for Rota. Further amendments were proposed to incorporate language outlining positions to be added to the present seven positions outlined by statute. It is for these reasons that your Committee recommends the passage of the proposed legislation in the form of House Bill No. 23-56, Senate Draft 1.

C) Legislative History:

House Bill No. 23-56 was formally introduced by Representative Blas Jonathan “BJ” T. Attao on June 16, 2023. On June 20, 2023, House Bill No. 23-56 was passed by the House of Representatives on the First and Final Reading during its First Day, Third Special

Session. House Bill No. 23-56 was transmitted to the Senate on June 21, 2023, and subsequently referred to the Senate Standing Committee on Fiscal Affairs for disposition.

D) Public Hearing and Comment:

1. Public Hearing. No public hearing was scheduled for House Bill No. 23-56. However, a Committee Meeting, which is open to the public, was held on October 2, 2023, which continued the following day, and on November 20, 2023. See below for further details.
2. Committee Meeting. The proposed legislation made its first appearance during the scheduled committee meeting convened on October 2, 2023. The Committee Meeting notices and agenda, as amended, were officially posted on September 27, 2023, on various legislative forums and social media sites to invite members of the general public to provide comments as indicated under *Item No. III. Public Comments* of the Committee Agenda. However, no public comment was received on the proposed legislation by your Committee.

House Bill No. 23-56 made its second appearance during the scheduled committee meeting convened on November 20, 2023. The Committee Meeting notices and agenda, as amended, were officially posted on November 15, 2023, on various legislative forums and social media sites to invite members of the general public to provide comments as indicated under *Item No. III. Public Comments* of the Committee Agenda. Public comments in support of the proposed legislation were received by the following:

- a. Raymund Muna, Chairperson, Civil Service Commission
- b. Frances Torres-Salas, Director, Office of Personnel Management
- c. Joseph Pangelinan, Chief, Employee Development and Staffing, Office of Personnel Management

House Bill No. 23-56 made its third appearance during the scheduled committee meeting convened on February 26, 2024. The Committee Meeting notices and agenda, as amended, were officially posted on February 23, 2024, on various legislative forums and social media sites to invite members of the general public to provide comments as indicated under *Item No. III. Public Comments* of the Committee Agenda. However, no public comment was received on the proposed legislation by your Committee.

3. Written Comment. Your Committee requested comments with a deadline to respond by August 31, 2023. To date, the status of comments received from government/private entities are as follows:
 - a. Office of the Attorney General, not received.
 - b. Epiphanio E. Cabrera, Jr., Administrator, CNMI Office of Grants Management-State Clearinghouse, letter dated September 30, 2023
 - c. Tracy B. Norita, Secretary, Department of Finance, letter dated October 2, 2023

- d. Raymond M. Muna, Chairperson, Civil Service Commission, letter dated November 20, 2023
- e. Epiphanio E. Cabrera, Jr., Administrator, CNMI Office of Grants Management-State Clearinghouse, letter dated February 26, 2024

E) Estimated Fiscal Cost:

Through the enactment of House Bill No. 23-56, Senate Draft 1, the funds generated through the indirect cost revenues will not be directed to the general fund entirely. However, certain percentages will be directed to departments, subgrants, and the First and Second Senatorial Districts for the betterment of public services.

F) Summary of Committee Amendments:

Your Committee agreed to the proposed amendments, as follows:

1. Section 2. Amendment Deleted language in the Section 2 title reflecting that 1 CMC §2893 is part of the Commonwealth Code to avoid redundancy as the acronym “CMC” refers to the Commonwealth Code. Further language deleted under §2893(a) outlining a 1% annual percentage decrease for the next 5 years until it gets to 35%. Further language was inserted providing that 5% each shall be reserved for the First and Second Senatorial Districts.

Section 2. Amendment. 1 CMC §2893 ~~of the Commonwealth Code~~ is hereby amended to read as follows:

“§2893. Operating Budget and Scope of Operations

(a) The CNMI OGM-SC shall be funded by an apportionment of all indirect cost(s) collected at a rate of 40% of total indirect cost revenue or reimbursement by fiscal year ~~with a 1% annual percentage decrease for the next five years until it gets to 35%~~ and shall be credited to the Office of Grants Management’s Business Unit Account No. 1043 and all other activities, of/or related to federal and local assistance. Provided further that concurrently 20% of the office’s budget shall be deposited into a special account for sub-grants; provided that 5% each shall be reserved for the First and the Second Senatorial Districts from this special account. The CNMI OGM-SC shall promulgate rules and regulations for awarding sub-grants and shall be the expenditure authority of the funds within the special account for sub-grants.”

2. Section 2. Amendment. Language was inserted under §2893(c) and (e) detailing that the Administrator of the CNMI OGM-SC shall have the additional authority to cover cost-share and matches. Further language was inserted to incorporate additional positions including Grants Specialists II and III, as well as Grants Writers II and III.

“(c) the Administrator of the CNMI OGM-SC shall have the authority to release, expend, cover cost-share and matches, disburse, and award sub grants and other funds as deemed necessary

(d) the Administrator of the CNMI OGM-SC shall have expenditure authority for all funds relating to CNMI OGM-SC; and

(e) the office shall be comprised of, but not limited to, the following:

- (1) Office of Grants Management Director/Administrator;
- (2) State Clearinghouse Director/Assistant Administrator;
- (3) Grants Manager(s);
- (4) Grants Specialist(s) I, II, and III;
- (5) Grant Writer(s) I, II, and III;
- (6) Compliance Officer(s);
- (7) Administrative Assistant(s) / Officer(s) / Specialist(s).”

3. Section 2. Amendment. Language was inserted under §2893(f) to incorporate a new section (f) detailing the percentage breakdown of the indirect cost collection allocation to certain government agencies. Deleted language reflecting the previously proposed section (f) detailing that 25% of the indirect cost revenue shall be deposited into a special account separate from the general fund to be applied at the end of each fiscal year toward reducing the deficit at the expenditure authority of the Secretary of Finance. Furthermore, the deleted language also reflected that 10% of the indirect cost revenue shall go to the Division of Financial Services.

“(f) The Indirect Cost Collection allocation to certain government agencies is as follows:

- (1) 25% to the Department of Finance (Finance & Accounting, Office of the Secretary, Treasury, Procurement Services, Office of Information and Technology;
- (2) 3.5% to the Office of Management & Budget;
- (3) 3.5% to the Office of Personnel Management;
- (4) 1.0% to the Office of Public Auditor;
- (5) 1.0% to the Administrative Services;
- (6) 40% to the Office of Grants Management;
- (7) 1.0% to the Civil Service Commission; and
- (8) 25% for the sole purpose of reducing the CNMI Government financial deficit and shall be deposited into a special account separate from the General Fund. Such funds shall be applied at the end of each fiscal year toward reducing the deficit and shall be without fiscal year limitation and under the expenditure authority of the Secretary of Finance.

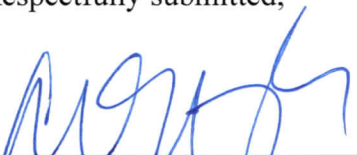
~~(f) For the sole purpose of reducing the CNMI Government’s financial deficit, 25% of the total indirect cost revenue or reimbursement by fiscal year as stated in subsection (a) shall be deposited into a special account separated from the General Fund. Such funds shall be applied at the end of each fiscal year toward reducing the deficit and shall be without fiscal year limitation and under the expenditure authority of the Secretary of Finance. The Division of Financial Services shall receive 10% of the total indirect cost revenue or reimbursement by~~

fiscal year as stated in subsection (a) for the purpose of supporting personnel and operational costs associated with processing the collection and distribution of funds controlled by this section.”


III. CONCLUSION:

Your Committee agrees with the intent and purpose of the proposed legislation and recommends passage in the form of House Bill No. 23-56, Senate Draft 1.


Respectfully submitted,



Senator Donald M. Manglona
Chairperson



Senator Corina L. Magofna
Vice Chairperson



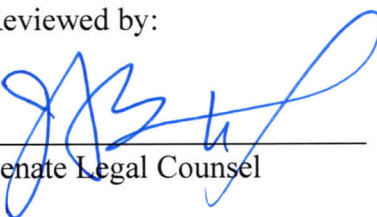
Senator Celina R. Babauta
Member

Senator Karl R. King-Nabors
Member

Senator Paul A. Manglona
Member

Senator Dennis C. Mendiola
Member

Reviewed by:



Senate Legal Counsel

Written Comments Attached:

- a. Epiphanio E. Cabrera, Jr., Administrator, CNMI Office of Grants Management-State Clearinghouse, letter dated September 30, 2023
- b. Tracy B. Norita, Secretary, Department of Finance, letter dated October 2, 2023
- c. Epiphanio E. Cabrera, Jr. Administrator, CNMI Office of Grants Management-State Clearinghouse, letter dated February 26, 2024

TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH

LEGISLATURE

IN THE HOUSE OF REPRESENTATIVES

JUNE 20, 2023

Third Special Session, 2023

H. B. 23-56, SD1

A BILL FOR AN ACT

To utilize the remaining sixty percent (60%) of the total of indirect cost revenue or reimbursement by fiscal year collected for each grant to address the CNMI Government's financial deficit; and for other purposes.

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

1 **Section 1. Findings and Purpose.** The Legislature finds that the CNMI
2 Government is currently facing a severe financial deficit. Regardless of how we
3 reached such deplorable indebtedness, it is still a lingering obligation that must be
4 rectified for a better and brighter future for our Commonwealth. When a
5 government is facing such circumstances, government leaders would either engage
6 in implementing a tax hike, impose spending restrictions, or both. The Legislature
7 further finds that such government actions are not viable options in addressing
8 issues pertaining to the financial stability of the CNMI. As duly elected government
9 leaders, it is our responsibility to explore different avenues that could propel the
10 CNMI in an enlightened path towards recovery. As a government founded to
11 faithfully serve the honorable people, the Legislature finds that we must ameliorate

1 the CNMI Government's distressful financial situation for the benefit and
2 betterment of future generations.

3 Indirect cost reimbursements from grants provide a source of money for
4 paying down our budget deficit. A percentage (40) of those funds currently are
5 directed to the Office of Grants Management. The remaining percentage is not
6 currently directed for any specific program. The purpose of this Act is to direct the
7 remaining percentage of the total annual indirect cost revenue or reimbursement
8 from each grant to address the CNMI Government's financial deficit and for other
9 purposes.

10 **Section 2. Amendment.** 1 CMC §2893 ~~of the Commonwealth Code~~ is
11 hereby amended to read as follows:

12 **“§2893. Operating Budget and Scope of Operations**

13 (a) The CNMI OGM-SC shall be funded by an apportionment of all
14 indirect cost(s) collected at a rate of 40% of total indirect cost revenue or
15 reimbursement by fiscal year ~~with a 1% annual percentage decrease for the~~
16 ~~next five years until it gets to 35%~~ and shall be credited to the Office of
17 Grants Management's Business Unit Account No. 1043 and all other
18 activities, of/or related to federal and local assistance. Provided further that
19 concurrently 20% of the office's budget shall be deposited into a special
20 account for sub-grants; provided that 5% each shall be reserved for the First
21 and the Second Senatorial Districts from this special account. The CNMI

1 OGM-SC shall promulgate rules and regulations for awarding sub-grants
2 and shall be the expenditure authority of the funds within the special account
3 for sub-grants.

4 (b) The CNMI OGM-SC shall be permitted the carry-over of funds
5 from year to year with the approval of the Office of the Governor;

6 (c) the Administrator of the CNMI OGM-SC shall have the authority
7 to release, expend, cover cost-share and matches, disburse, and award sub-
8 grants and other funds as deemed necessary.

9 (d) the Administrator of the CNMI OGM-SC shall have expenditure
10 authority for all funds relating to CNMI OGM-SC; and

11 (e) the office shall be comprised of, but not limited to, the following:

12 (1) Office of Grants Management Director/Administrator;

13 (2) State Clearinghouse Director/Assistant Administrator;

14 (3) Grants Manager(s);

15 (4) Grants Specialist(s) I, II, and III;

16 (5) Grant Writer(s) I, II, and III;

17 (6) Compliance Officer(s);

18 (7) Administrative Assistant(s) / Officer(s) / Specialist(s).

19 (f) The Indirect Cost Collection allocation to certain government
20 agencies is as follows:

1 (1) 25% to the Department of Finance (Finance &
2 Accounting, Office of the Secretary, Treasury, Procurement Services,
3 Office of Information and Technology;

4 (2) 3.5% to the Office of Management & Budget;

5 (3) 3.5% to the Office of Personnel Management;

6 (4) 1.0% to the Office of Public Auditor;

7 (5) 1.0% to the Administrative Services;

8 (6) 40% to the Office of Grants Management;

9 (7) 1.0% to the Civil Service Commission; and

10 (8) 25% for the sole purpose of reducing the CNMI
11 Government financial deficit and shall be deposited into a special account
12 separate from the General Fund. Such funds shall be applied at the end of
13 each fiscal year toward reducing the deficit and shall be without fiscal year
14 limitation and under the expenditure authority of the Secretary of Finance.

15 ~~(f) For the sole purpose of reducing the CNMI Government's~~
16 ~~financial deficit, 25% of the total indirect cost revenue or reimbursement by~~
17 ~~fiscal year as stated in subsection (a) shall be deposited into a special~~
18 ~~account separated from the General Fund. Such funds shall be applied at the~~
19 ~~end of each fiscal year toward reducing the deficit and shall be without fiscal~~
20 ~~year limitation and under the expenditure authority of the Secretary of~~
21 ~~Finance. The Division of Financial Services shall receive 10% of the total~~

1 ~~indirect cost revenue or reimbursement by fiscal year as stated in subsection~~
2 ~~(a) for the purpose of supporting personnel and operational costs associated~~
3 ~~with processing the collection and distribution of funds controlled by this~~
4 ~~section.”~~

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

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

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

Prefiled: 6/16/2023

Date: _____

Introduced by: /s/ Rep. Blas Jonathan “BJ” T. Attao
/s/ Rep. Roman C. Benavente

HOUSE BILL 23-56, SD1

/s/ Rep. Angelo A. Camacho

/s/ Rep. Joel C. Camacho

/s/ Rep. Vicente C. Camacho

/s/ Rep. Manny G. T. Castro

/s/ Rep. Joseph A. Flores

/s/ Rep. Marissa R. Flores

/s/ Rep. Julie M. A. Ogo

/s/ Rep. John Paul P. Sablan

/s/ Rep. Patrick H. San Nicolas

/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

COMMONWEALTH of the NORTHERN MARIANA ISLANDS
Office of Grants Management & State Clearinghouse

September 30, 2023

File No. 2023- 310

The Honorable Edith E. DeLeon Guerrero
President
The Senate
Twenty-Third Northern Marianas
Commonwealth Legislature
Capitol Hill
Saipan, MP 96950

Subject: Comments and/or Suggestions for HB 23-56

I have reviewed H.B. No. 23-56 entitled “To utilize the remaining sixty percent (60%) of the total of indirect cost revenue or reimbursement by fiscal year collected for each grant to address the CNMI Government’s financial deficit; and for other purposes” and I would like to recommend the following amendments or considerations before proceeding.

- a) Indirect Costs reimbursements should be designated for the Indirect Cost Pool affected agencies, such as Division of Financial Services, Division of Treasury, Office of Management & Budget, Office of Personnel Management, Civil Service Commission, Office of the Public Auditor, Division of Procurement & Supply, Administrative Services, and the Office of Grants Management. These agencies are directly factored in the Negotiated Indirect Cost Rate Agreement (NICRA) which is intensely reviewed by the Interior Business Center (IBC), Department of the Interior. The reimbursement is technically a partial payment for services rendered by the agencies mentioned above. Thus, it would be more prudent to provide these agencies with a percentage of what is owed to them.
- b) A suggested breakdown of percentages could resemble as such:
 1. Division of Finance & Accounting: 20%
 2. Division of Treasury: 5%
 3. Division of Procurement & Supply: 5%
 4. Office of Management & Budget: 5%
 5. Office of Personnel Management: 5%
 6. Office of the Public Auditor: 5%
 7. Administrative Services: 12.5%
 8. Office of Grants Management: 40%
 9. Civil Service Commission: 2.5%



Office of Grants Management & State Clearinghouse

- c) With an increase in OGM's current percentage share, OGM will be able to hire more grant writers and allow our office to obtain more grants annually. (i.e. OGM has a rule of thumb that for every one staff member employed under OGM, \$1M in awards will potentially be acquired within that fiscal year with that individual's effort. Therefore, the more staff OGM has, the more funds will enter the CNMI, which will have an overall multiplier effect in the local economy).
- d) On page 2, Line 19, I recommend that will allow language to stipulate that the Municipalities of Tinian and Rota will get at least 5% each from subgrant funding annually from the total 20% set aside for subgrants. This would assure Tinian and Rota Municipalities to receive assistance.
- e) On Page 3, Line 13, please add "Grants Specialist II; Grants Specialist III" and on Line 14, please add "Grant Writers II; Grant Writers III."
- f) On Page 3, Lines 5 - 6, please revise to reflect, "to release, expend, loan, cover cost-share and matches, provide line(s) of credit for federal projects and reimbursements, disburse, and award sub grants and other funds with the Governor's concurrence or as deemed necessary."

Should the main points of the bill be kept in its original form, I only ask to include OGM's recommendations mentioned under (d), (e), and (f). This will allow for greater efficiency and will stimulate more opportunities for economic growth through grantsmanship.

I sincerely hope that the decision and choices selected by members of the 23rd Legislature will be in the best interest of the Office of Grants Management. The Office will continue to work hard and efficiently for the government and the general public.

Should you have any questions, please feel free to contact me at 670-287-1646 or by email at epi.cabrera@gov.mp. Thank you for your time and commitment.


EPIPHANIO E. CABRERA, JR.

xc: Senator Donald M. Manglona





Office of the Secretary
Department of Finance



P. O. Box 5234 CHRB SAIPAN, MP 96950

TEL.: (670) 664-1100 FAX: (670) 664-1115

October 2, 2023

SFL 2024-001

Hon. Donald M. Manglona
Senate Vice-President
23rd Northern Marianas Commonwealth Legislature
P.O. Box 500586
Saipan, MP 96950

Subject: Commonwealth of the Northern Mariana Islands (“CNMI”) Department of Finance Comments and Recommendations on House Bill (“H.B.”) No. 23-56. “To utilize the remaining sixty percent (60%) of the total of indirect cost revenue or reimbursement by fiscal year collected for each grant to address the CNMI Government’s financial deficit; and for other purposes.”

Dear Senate Vice-President Manglona,

On behalf of the CNMI Department of Finance (“DOF”), I thank you for the opportunity to provide comments and recommendations on House Bill 23-56 (the “Bill”). Our comments and recommendations are as follows.

House Bill No. 23-56

The Legislature finds that the CNMI Government is currently facing a severe financial deficit. Regardless of how we’ve reached such indebtedness, it is still a lingering obligation that must be rectified for a better and brighter future for our Commonwealth. Faced with such circumstances, government leaders would either engage in implementing tax hikes, impose spending restrictions, or taking both. However, the legislature finds these options may not be viable or sufficient to address the CNMI’s financial situation. However, as duly elected government leaders, it is their responsibility to explore different avenues that could propel the CNMI’s path towards recovery. Therefore, the Legislature must ameliorate the CNMI government’s financial situation for the benefit and betterment of future generations to come.

The proposed Bill’s intent is to use “Indirect Cost (“IDC”) reimbursement” from grants as a source of funds to address the budget deficit. Currently, a percentage of these funds goes to the Office of Grants Management (“OGM”), but the bill seeks to direct the remaining percentage toward the CNMI Governments financial deficit reduction.

DOF has no objections with the Bill proposing to amend 1 CMC §2893 (a) The proposed changes involve striking out language related to a 1% annual decrease in IDC revenue for five years and adding a new subsection (f) to allocate 50% of the total IDC revenue or reimbursement to a special account. This account will be dedicated to reducing the CNMI Government’s financial deficit and

would not have fiscal year limitations. The Bill specifies that the special account shall be under the expenditure authority of the Secretary of Finance. Additionally, 10% of the total IDC revenue or reimbursement would go to the Division of Financial Services to cover personnel and operational costs associated with processing collections and distributing funds. Below is a basic analysis of the FY 2023 IDC collections if DOF had been given a 10% earmark funding:

OBJECT	ORG	PROJECT	ACCOUNT	ACCOUNT DESCRIPTION	TYPE	YTD EXPENDED
44520	1000		1000-0-00-00-0000-000-44520 -	INDIRECT	R	-\$2,504,665.73
44520	51261000	2610I	5000-1-10-26-2610-000-44520 -2610I	INDIRECT	R	-\$433,335.86
GRAND TOTAL						-\$2,938,001.59
TOTAL 10% for DOF						-\$293,800.16

In addition, DOF recommends that we also need to amend subsection 1 CMC §2893 (a) to strikeout OGM’s Business Unit (“BU”) Account No. 1043. That account is no longer active and a new BU 2610I had been established on Munis for OGM’s IDC. DOF would also like to acknowledge that earmarking IDC collections for deficit reduction will reduce funds available for the annual budget’s appropriations. This suggests that there will be a trade-off between deficit reduction and budgetary allocations for other government programs.

On behalf of the CNMI Department of Finance, I thank you again for the opportunity to provide comments with respect to the Bill. If you have any questions or need any additional information, please do not hesitate to contact me on (670) 664-1100 or email me at T.Norita@dof.gov.mp.

Sincerely,

Tracy B. Norita
Secretary of Finance

COMMONWEALTH of the NORTHERN MARIANA ISLANDS
Office of Grants Management & State Clearinghouse

February 26, 2024

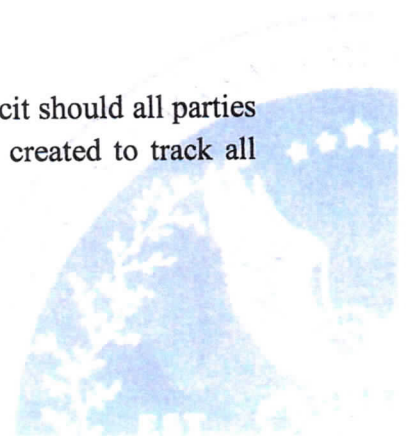
File No. 2024- 084

The Honorable Donald M. Manglona
Vice President
The Senate
Twenty-Third Northern Marianas
Commonwealth Legislature
Capitol Hill
Saipan, MP 96950

Subject: Comments and/or Suggestions for HB 23-56, Revised

After much thought and discussion with the Secretary of the Department of Finance pertaining to HB 23-56, I have reconsidered my previous recommendations and offer the following:

- a) Indirect Costs reimbursements should be designated for the Indirect Cost Pool affected agencies, such as Division of Financial Services, Division of Treasury, Office of Management & Budget, Office of Personnel Management, Civil Service Commission, Office of the Public Auditor, Division of Procurement & Supply, Administrative Services, and the Office of Grants Management. These agencies are directly factored in the Negotiated Indirect Cost Rate Agreement (NICRA) which is intensely reviewed by the Interior Business Center (IBC), Department of the Interior. The reimbursement is technically a partial payment for services rendered by the agencies mentioned above. Thus, it would be more prudent to provide these agencies with a percentage of what is owed to them.
- b) A suggested breakdown of percentages could resemble as such:
 1. Department of Finance (Finance & Accounting, Office of the Secretary, Treasury, Procurement Services, Office of Information Technology): 25%
 2. Office of Management & Budget: 3.5%
 3. Office of Personnel Management: 3.5%
 4. Office of the Public Auditor: 1.0%
 5. Administrative Services: 1.0%
 6. Office of Grants Management: 40%
 7. Civil Service Commission: 1.0%TOTAL: 75%
- c) The remaining 25% shall go towards the retirement of the CNMI deficit should all parties agree and this bill becomes law. A MUNIS project code should be created to track all transactions, payments, and deficit balances.



Office of Grants Management & State Clearinghouse

- d) Indirect Cost Funds should not be treated as funds for the General Fund, it should be Special Funds.
- e) If approved, each agency listed above will need a MUNIS project code and subsequent allotment advices.

By adequately funding the agencies under the Indirect Cost pool, this would allow for greater efficiency in the finance, accountability, and grant sectors.

I sincerely hope that the decision and choices selected by members of the 23rd Legislature will be in the best interest of the Office of Grants Management. The Office will continue to work hard and efficiently for the government and the general public.

Should you have any questions, please feel free to contact me at 670-287-1646 or by email at epi.cabrera@gov.mp. Thank you for your time and commitment.


EPIPHANIO E. CABRERA, JR.

Attached: Breakdown Excel Sheet



CNMI DEPARTMENT OF FINANCE
 FY2020 ALLOCATION OF CENTRAL SERVICE COSTS
 FY2023 INDIRECT COST RATE PROPOSAL-UTILITIES IN INDIRECT COST POOL(Exhibit 1; page 1)

BU#	Description	TOTAL COSTS			Adjust. Reason	Utility Adjust	ADJUSTED		COSTS TO BE ALLOCATED			% of Budget	RECOMMENDATIONS	
		Personal Expense	Other Expense	Total			Adjustments	Total	**	Salaries & Wages	Other Expenses		Total	OGM Recommendation No.1 (09/30/23 Letter)
1540	Civil Service Commission	75,192	65,708	140,900	0		140,900	75,192	65,708	140,900	2.05%	2.5%	1.0%	
1100	Secretary of Finance	208,903	223,898	432,801	(2,696) Capital		432,105	208,903	223,202	432,105	6.29%	20.0%	25.0%	
1110-12	Finance & Accounting	822,415	104,216	926,631	(41,069) Capital		885,562	822,415	63,147	885,562	12.86%	20.0%	0	
1120	Treasury	218,834	118,747	337,581	(1,014) Capital		336,567	218,834	117,733	336,567	4.90%	5.0%	0	
1140-42	Procurement & Supply	365,362	66,273	431,635	(480) Capital		431,155	365,362	65,793	431,155	6.27%	5.0%	0	
1160	Electronic Data Processing-OIT	299,159	1,292,701	1,591,860	(891,999) Capital		699,861	299,159	400,702	699,861	10.18%	5.0%	0	
1014	Office of Management & Budget	302,034	21,919	323,953	(1,350) Capital		322,603	302,034	20,569	322,603	4.69%	5.0%	3.5%	
1016-18	Administrative Services	552,997	173,501	726,498	0		726,498	552,997	173,501	726,498	10.57%	12.5%	1%	
1026-28	Office of Personnel Management	682,990	77,081	760,071	0		760,071	682,990	77,081	760,071	11.06%	5.0%	3.5%	
1043	Grants Management Office	345,766	389,722	735,488	0		702,072	345,766	356,306	702,072	10.21%	40.0%	40.0%	
1505	Public Auditor	1,030,191	407,204	1,437,395	(33,416) Capital		1,435,996	1,030,191	405,805	1,435,996	20.89%	5.0%	1.0%	
1591	Utilities-Gov't Bids unallocated		14,719,815	14,719,815	(973,423) Capital		14,719,815		14,719,815	14,719,815				
	Totals	4,903,843	17,662,785	22,566,628	(973,423)	0	21,593,205	4,903,843	16,689,362	21,593,205	100.0%	100.0%	75.0%	

UTILITIES ADJUSTMENTS			% of Budget	
Original direct cost base	All	86,030,019	Federal	48,731,904
Less Federal direct base adj-direct prnt utl		(37,298,115)		(37,298,115)
ADJUSTED DIRECT COST BASE		48,731,904		11,433,789
			Federal %	56.65%
				O34 Exhibit 3
				23.46%

INDIRECT COST POOL UTILITY ADJUST			% of Budget	
Original indirect cost pool	All	17,639,772		
less utility charges to indirect cost pool		0		
ADJUSTED INDIRECT COST POOL		17,639,772		
				O24
				Revised 7/16 to Reflect "0"

UTILITIES ADJUSTMENTS			% of Budget	
Original direct cost base	All	86,030,019	Federal	48,731,904
Less Federal direct base adj-direct prnt utl		(37,298,115)		(37,298,115)
ADJUSTED DIRECT COST BASE		48,731,904		11,433,789
			Federal %	56.65%
				O34 Exhibit 3
				23.46%

INDIRECT COST POOL UTILITY ADJUST			% of Budget	
Original indirect cost pool	All	17,639,772		
less utility charges to indirect cost pool		0		
ADJUSTED INDIRECT COST POOL		17,639,772		
				O24
				Revised 7/16 to Reflect "0"