



**COPY**

**THE SENATE**  
Twenty-Third Northern Marianas Commonwealth Legislature  
P. O. Box 500129  
Saipan, MP 96950

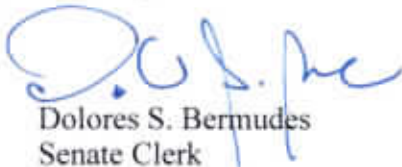
February 26, 2024

The Honorable Edmund S. Villagomez  
Speaker  
House of Representatives  
23rd Northern Marianas Commonwealth Legislature  
Saipan, MP 96950

Dear Speaker Villagomez:


I have the honor of returning with amendments House Bill No. 23-95, HS1, SS3, entitled, "To Repeal and Re-enact Public Law 23-12; and for other purposes." The Senate passed the Bill on Final Reading by the affirmative vote of two-thirds of the members, a quorum being present, in its 4<sup>th</sup> Day, Third Regular Session on February 26, 2024.

Sincerely,

  
Dolores S. Bermudes  
Senate Clerk

Attachment

**Transmitted to HOUSE:**

Received by: 

Date: 2/27/2024 Time: 9:27am

**TWENTY-THIRD NORTHERN MARIANAS COMMONWEALTH**

**LEGISLATURE**

**IN THE HOUSE OF REPRESENTATIVES**

**JANUARY 12, 2024**

**Third Regular Session, 2024**

**H. B. 23-95, HS1, SS3**

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**A BILL FOR AN ACT**

To Repeal and Re-enact Public Law 23-12; and for other purposes.

**BE IT ENACTED BY THE 23<sup>RD</sup> NORTHERN MARIANAS  
COMMONWEALTH LEGISLATURE:**

1           **Section 1. Findings and Purpose.** The Legislature finds that on November  
2   20, 2023 Governor Arnold I. Palacios signed House Bill 23-77, Senate Draft One  
3   into Public Law 23-12 to authorize a revolving line of Credit between the  
4   Commonwealth Government and the Marianas Public Land Trust (MPLT) in the  
5   amount of \$15,000,000.00 with repayment terms.

6           Furthermore, the Legislature finds that on July 17, 2023, Governor Arnold  
7   I. Palacios in a letter signed by the CNMI Senate President and House Speaker,  
8   submitted a written request to the Marianas Public Land Trust. Governor Palacios  
9   requested a Line of Credit in the amount of \$20 million for “bridge financing or  
10  advances” for costs related to federally-funded Capital Improvement Projects  
11  (“CIP”) from the United States Economic Development Administration whereby

1 the CNMI would be reimbursed for such advances within thirty (30) days of  
2 advancing such costs for grant projects. Further, Governor Palacios requested that  
3 the line of credit (“LOC”) facility be available for a period of 5-7 years while  
4 infrastructure and other CIP projects are under construction. The Marianas Public  
5 Land Trust has reviewed initial planned drawdown requests by the Governor and  
6 has determined that a \$15 million Line of Credit is suitable for the amounts needed,  
7 in any given 30-day period, during the next few years of forecasted drawdowns  
8 offered by the Governor.

9 In addition to the \$20 million LOC initial request, Governor Palacios also  
10 requested that MPLT reduce the interest rate on the CNMI’s existing debt  
11 obligation to MPLT for the Typhoon Yutu loan, currently at 7.5% per annum. That  
12 debt currently stands at approximately \$8.9 million as of February 7, 2024, and is  
13 being repaid by MPLT’s withholding of the annual interest-income distributions to  
14 the CNMI General Fund.

15 MPLT has noted that previously in June 2019 the Trust received the  
16 Typhoon Yutu request from the CNMI for \$15 million through a line of credit and  
17 later converted it to a loan, to pay for “extraordinary expenses made under  
18 extraordinary circumstances” for disaster recovery expenses which the former  
19 CNMI Secretary of Finance asserted were not normal operating expenses of the  
20 government. While the CNMI expected reimbursement from the Federal  
21 Emergency Management Agency for disaster-related advances or expenses, the

1 CNMI ultimately could not repay the MPLT Yutu Loan which MPLT is now  
2 servicing as repayment through the withholding of distributions for the next several  
3 years.

4         The Legislature acknowledges that the Trustees of MPLT continue to  
5 recognize that the \$13 million LOC request addressed in this legislation, as with  
6 the Yutu Loan, constitutes a public debt obligation for government operations or  
7 infrastructure, which have particular requirements under the CNMI Constitution.  
8 As such, the Legislature is informed that the Trust has set forth certain requirements  
9 from the CNMI Government through the Office of the Governor, Secretary of  
10 Finance, and the Office of the Attorney General, to ensure the propriety of the  
11 requested transaction and ensure capacity for payment.

12         As one of the requirements by MPLT, the purpose of this proposed  
13 legislation is to authorize this public debt by the Commonwealth Government to  
14 MPLT for a period not to exceed seven years (84 months) on a Revolving Line of  
15 Credit and to ensure that there are adequate funds at the disposal of the CNMI  
16 Department of Finance for purposes of paying that Line of Credit timely and  
17 without default. The debt amount authorized in this Act is \$15 million of which not  
18 more than \$13 million for the LOC from MPLT and not more than \$2 million loan  
19 from MPLT to the First and Second Senatorial Districts.

20         The Legislature agrees that, unlike the Yutu Loan, the \$13 million LOC is  
21 to be repaid by the CNMI Government through the Secretary of Finance on a

1 regular 30-day period following each advance, with reimbursed funds from the  
2 Federal government, and with other restrictions on drawdowns imposed by MPLT,  
3 such as drawdown limits and drawdown pre-conditions. Therefore, this legislation  
4 authorizes and pledges the funds that MPLT would distribute as interest income to  
5 the General Fund pursuant to Article XI, Section 6 of the Constitution as security  
6 and for repayment of the \$13 million LOC with the Commonwealth Government  
7 through the Department of Finance at an annual interest rate of 5.5%. The LOC and  
8 this legislative authorization expire automatically at the end of the 84-month period  
9 and shall not be renewed or extended.

10         Accordingly, the Legislature hereby agrees and consents that MPLT may  
11 withhold from its annual interest income distribution to the Commonwealth for  
12 each fiscal year as security and to guarantee payment for the \$13 million LOC until  
13 that credit facility is retired and fully satisfied.

14         The Legislature further agrees and consents that because the MPLT annual  
15 interest income distribution to the Commonwealth will be used as security to  
16 guarantee payment for the \$13 million LOC, it is also appropriate to authorize the  
17 \$13 million LOC to be used to cover advance payments for existing or future EDA  
18 CIP projects during the seven-year term of the LOC.

19         Additionally, this Act intends to authorize a public debt not to exceed \$2  
20 million of which \$1 million each for the First and Second Senatorial Districts for  
21 infrastructure projects consistent with the public debt authorization.

1           For the foregoing reasons, the Legislature finds that the \$15 million debt  
2 authorization of which \$13 million is a LOC with MPLT is in the best interest of  
3 our people and our Commonwealth and authorizes the Executive Branch to enter  
4 into such an agreement as required on terms and conditions by MPLT; and the \$2  
5 million debt authorization for the First and Second Senatorial Districts  
6 infrastructure projects of which \$1 million each for the two senatorial districts. The  
7 Legislature also finds that this reserved allocation to the two senatorial districts is  
8 in the best interest of the Commonwealth as a whole.

9           **Section 2. Repeal and Re-enactment.** Subject to codification by the CNMI  
10 Law Revision Commission, Public Law 23-12 is hereby repealed and re-enacted to  
11 read as follows:

12                   “§101. Debt Authorization. Pursuant to N.M.I. CONST. ART. X  
13 Section 3, the CNMI Legislature authorizes a public debt not to exceed \$15  
14 million of which \$13 million is a public debt and obligation to the Marianas  
15 Public Land Trust for Governor Arnold I. Palacios, through the Department  
16 of Finance, to enter into a Revolving Line of Credit with the Marianas  
17 Public Land Trust. This debt authorization shall also apply to a Line of  
18 Credit for an autonomous agency as provided in § 104(a). This debt  
19 authorization shall also apply to a loan of \$2 million public debt  
20 authorization of which \$1 million each for the First and Second Senatorial

1 Districts to fund infrastructure projects, through an agreement between  
2 MPLT and the respective mayors.

3 §102. Line of Credit.

4 (a) The MPLT-CNMI Revolving Line of Credit shall cover CIP  
5 advances from the United States Economic Development Administration  
6 (EDA) projects.

7 (b) The term of the Revolving Line of Credit shall not exceed seven  
8 years (84 months) starting from the date of execution of the Revolving Line  
9 of Credit between MPLT and the Governor and the Secretary of Finance.

10 (c) For EDA CIP advances, the Office of the Governor and  
11 Department of Finance shall repay the Line of Credit as to any drawdowns  
12 no later than thirty (30) calendar days from the date of each drawdown.

13 (d) For EDA CIP advances, no further drawdowns shall be made  
14 unless and until the prior drawdown is satisfied or MPLT agrees to  
15 additional drawdowns.

16 (e) For any EDA CIP advances, any reimbursements received by the  
17 CNMI Department of Finance/Office of the Governor from the United  
18 States Economic Development Administration paid or remitted to the  
19 CNMI Government for CIP project advances that are covered in the MPLT-  
20 CNMI Revolving Line of Credit including future EDA CIP projects for

1 Rota and Tinian during the seven-year term of the LOC shall be paid  
2 directly to MPLT as settlement for the line of credit herein.

3 (f) The interest rate of the LOC shall be 5.5% per annum.

4 (g) Because the Revolving Line of Credit and the respective loans,  
5 collectively, is a public debt this legislation must be passed by two-thirds  
6 (2/3) of the members of the House of Representatives and the Senate before  
7 being signed into law. Further, the obligation for such a public debt shall  
8 not exceed ten percent (10%) of the total appraised value of the properties  
9 of the Commonwealth so that the Secretary of Finance shall not execute the  
10 Revolving Line of Credit until the Secretary of Finance certifies, with the  
11 concurrence of the Attorney General, that this constitutional requirement is  
12 satisfied.

13 (h) The Attorney General shall review the Revolving Line of Credit  
14 Agreement for legal sufficiency for the Governor and Secretary of Finance  
15 to enter into this transaction in order for the Revolving Line of Credit to be  
16 effective against the Commonwealth.

17 (i) Transactional Documents. The Marianas Public Land Trust and  
18 the Commonwealth, acting through the Governor and the Secretary of  
19 Finance, shall execute the transactional financial documents for the  
20 Revolving Line of Credit through a line of credit agreement, assignment of  
21 income, and a Promissory Note. After such documents have been duly



1           executed, MPLT shall authorize and commence any initial drawdown,  
2           subject to its terms and conditions, to the Department of Finance which shall  
3           be used for the CIP-approved or designated project bridge financing or  
4           advances, only.

5                   (j) The Secretary of Finance and the Office of the Governor shall  
6           issue a quarterly summary “MPLT Loan Report” which shall be a financial  
7           statement detailing the activities of the CNMI Government as to the CIP  
8           project advances and status. This MPLT Loan Report shall be submitted to  
9           all the members of the Legislature, the Office of the Public Auditor, the  
10          Office of the Attorney General, and a copy to MPLT.

11                   (k) Authorization to Defend, Hold Harmless, and Indemnify MPLT.  
12          The Legislature hereby authorizes, as a condition precedent to the loan  
13          agreement being authorized herein, the Commonwealth Government,  
14          through the Executive Branch including the Secretary of Finance and Office  
15          of the Attorney General, to defend, hold harmless, and indemnify the  
16          Trustees of the Marianas Public Land Trust, individually and collectively,  
17          along with MPLT’s staff, counsel and consultants for any suits, causes of  
18          action, litigation, and claims as well as any loss, liability, and expense  
19          whatsoever of any kind or nature including but not limited to attorneys’ fees  
20          which may arise from or that are in any way related to the loan agreement  
21          which is the subject of this Act or the events arising therefrom as to MPLT’s

1 actions in extending the line of credit. The Commonwealth shall pay for the  
2 cost of representation being authorized herein through the Department of  
3 Finance without cost to MPLT or provide representation by the CNMI  
4 Office of the Attorney General. In the event MPLT is compelled to engage  
5 its counsel or representation of the Commonwealth, the Department of  
6 Finance shall reimburse MPLT for such costs and expenses. In the event the  
7 CNMI Government fails to reimburse or pay for such costs and expenses,  
8 MPLT may withhold further distributions of income until its expenses and  
9 costs are fully reimbursed.

10 (l) The Commonwealth hereby pledges and appropriates the sum not  
11 to exceed \$13,000,000.00 as security for the LOC from future interest  
12 income distributions into the CNMI General Fund by the Marianas Public  
13 Land Trust (MPLT) starting Fiscal Year 2024 and authorizes the  
14 withholding of such distributions for future fiscal years for payment and/or  
15 as security, in the event of any default and to satisfy any delinquent or  
16 default amount owed by the CNMI Government, for MPLT to withhold  
17 such distributions until such time as fully reimbursed and/or the Revolving  
18 Line of Credit with the Commonwealth Department of Finance is fully  
19 satisfied and retired. Any withholding of interest income distributions shall  
20 be separate from the prior authorized withholding for the Yutu Loan for  
21 which MPLT is currently withholding distributions until fully repaid.

1                    §103. Additional Interest Withholding and Appropriation.

2                    (a) In addition to §102(l), the Commonwealth hereby pledges and  
3                    appropriates the sum not to exceed \$2,000,000.00 of the interest income  
4                    distributions into the CNMI General Fund by the Marianas Public Land  
5                    Trust (MPLT) starting Fiscal Year 2027, or whenever the Yutu Loan is paid  
6                    in full, whichever comes first, and authorizes the withholding as security,  
7                    in the event of any default and to satisfy any delinquent or default amount  
8                    owed by the respective municipalities, for MPLT to withhold such  
9                    distributions until such time as fully reimbursed and/or the loans are fully  
10                   satisfied and retired. Any withholding of interest income distributions shall  
11                   be separate from the prior authorized withholding for the Yutu Loan for  
12                   which MPLT is currently withholding distributions until fully repaid.

13                   (b) The infrastructure projects for the First and Second Senatorial  
14                   Districts, participating or benefitting from a loan with MPLT, not to exceed  
15                   the debt authorization under §101, as a condition of the loan participation,  
16                   the respective mayors shall agree to be bound by the MPLT terms and  
17                   conditions in writing such as through a Memorandum of Understanding,  
18                   Contract, or Promissory Note including, but not limited to, an agreed fixed  
19                   annual interest rate, but not to exceed 7.5 %. The cumulative accrued  
20                   interest with the principal may be paid when the Yutu loan is satisfied. The  
21                   Loan Agreement between MPLT and the respective mayors and the

1 infrastructure projects to be funded by the loan shall be approved through a  
2 resolution of the respective legislative delegations.

3 §104. Additional EDA-Funded CIP Projects.

4 (a) If there are any autonomous CNMI Government agencies funded  
5 by the EDA-funded CIP projects participating or benefitting from a Line of  
6 Credit Agreement bridge financing with MPLT, or any duly approved non-  
7 profit organizations, those entities shall, as a condition of such participation,  
8 agree to be bound by the MPLT terms and conditions in writing such as  
9 through a Memorandum of Understanding, Contract, or Promissory Note  
10 including, but not limited to, the interest rate charged by MPLT.

11 (b) Any future EDA-funded CIP projects for the First and Second  
12 Senatorial Districts shall be covered by the LOC as provided in this Act.”

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

18 **Section 4. Savings Clause.** This Act and any repealer contained herein  
19 shall not be construed as affecting any existing right acquired under contract or  
20 acquired under statutes repealed or under any rule, regulation, or order adopted  
21 under the statutes. Repealers contained in this Act shall not affect any proceeding

**HOUSE BILL 23-95, HS1, SS3**

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1 instituted under or pursuant to prior law. The enactment of the Act shall not have  
2 the effect of terminating, or in any way modifying, any liability, civil or criminal,  
3 which shall already be in existence on the date this Act becomes effective.

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

Profile: 1/8/2024

Date: \_\_\_\_\_ Introduced by: /s/ Rep. Edmund S. Villagomez  
/s/ Rep. Blas Jonathan “BJ” T. Attao  
/s/ Rep. Roman C. Benavente  
/s/ Rep. Marissa R. Flores  
/s/ Rep. Ralph N. Yumul

Reviewed for legal sufficiency by:

/s/ Joseph L.G. Tajeron, Jr.  
House Legal Counsel