



GOV. COMM. 22-120
(HOUSE)

RALPH DLG. TORRES
Governor

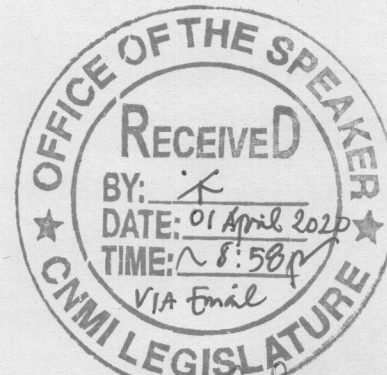
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
OFFICE OF THE GOVERNOR

April 01, 2022

GOV22-037

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

The Honorable Jude U. Hofschneider
President
The Senate
Twenty-Second Northern Marianas
Commonwealth Legislature
Saipan, MP 96950



Dear Mr. Speaker and Mr. President:

In accordance with Article III, Section 9 of the CNMI Constitution and 1 CMC Section 7201(a)(1) (Planning and Budgeting Act), I submit herewith the proposed budget for the Commonwealth Government and Related Agencies for Fiscal Year 2023, beginning October 1, 2022 and ending September 30, 2023. As mandated by the Constitution, the budget submitted herein is balanced, where the total amount of proposed expenditures does not exceed total estimated resources available for appropriation.

Fiscal Climate

The Secretary of Finance has reported the gross budgetary resources of \$150,415,492 for Fiscal Year 2023. The CNMI's gross budgetary resources are derived from taxes such as business gross revenue taxes, income taxes, excise taxes and other taxes such as hotel, bar, and beautification taxes. After debt service and NMI Settlement Agreement obligations are satisfied, the net resources available for appropriations is \$101,352,567. The Secretary of Finance's report of net available resources are projected as the result of the continual suspension of earmarks as stipulated in Public Law 22-08.

As COVID-19 cases slowly ease in our islands, my administration continues to work with community partners to navigate resources in revitalizing our economy and revamping our tourism industry, with the health and safety of the CNMI residents as my highest priority. This has been achieved through the efforts of the COVID-19 Task Force and the development of the Governor's Council of Economic Advisors (GCEA). One of the major projects of the GCEA is the Public and Private Partnerships (PPP) Program, whose goal is to maintain and rehabilitate our tourism and recreational areas. Our team has also developed the Travel Bubble program, which established the CNMI as a safe destination for tourists. The successes of the program

Juan A. Sablan Memorial Building • Capitol Hill, Saipan
Caller Box 10007 • Saipan, MP 96950 • 670.237.2200 • governor.gov.mp
@GovernorCNMI

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have conveyed a promising advantage over our competitors that I anticipate will help carry the CNMI into a post-COVID-19 era.

While I acknowledge the challenges that several major natural disasters, the COVID-19 pandemic, and labor issues have had on the CNMI's economy and progress in revitalizing our infrastructure, my priorities on infrastructure development, destination enhancement, diversification of our economy, natural disaster preparation and recovery, mitigation of the ongoing global pandemic, and the improvements to core governmental services remain critical.

Budget Process

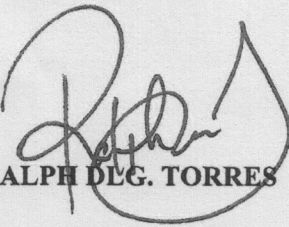
A budget call issued on January 31, 2022 requested all agencies to assess their program activities and submit their proposed spending plans for FY 2023. The baseline for this submission was established on the projections received by the Secretary of Finance.

This balanced submission, which was approved by the Governor's Council on March 30, 2022, factors all positions including reinstated furloughed positions authorized by Public Law 22-08 at 80% allocation to the General Fund – with the exception of Constitutionally mandated salaries and all filled positions under the Judicial and Legislative Branches. The remaining 20% of wages to maintain 80-hour work weeks will be covered under the American Rescue Plan Act (ARPA) spending plan.

With the exception of the Judicial and Legislative Branches, the allocation for all other operations and the provision of government services to defray the cost of utilities, Active Employees' Retirement and Health Insurance Employer Contributions will also be factored in the ARPA spending plan.

The Secretary of Finance and the Acting Special Assistant for Management and Budget are available to discuss the details of this Proposed CNMI Budget for Fiscal Year 2023. Thank you, and we look forward to working collaboratively in ensuring a timely passage of this proposal.

Respectfully,



RALPH DELG. TORRES

Cc: Lt. Governor
Secretary of Finance
Acting Special Assistant for Management and Budget
Special Assistant for Administration
Special Assistant for Programs and Legislative Review
All Mayors
Executive Assistant for Carolinian Affairs
Members of the 22nd Northern Marianas Commonwealth Legislature



Office of the Secretary
Department of Finance



P. O. Box 5234 CHRB SAIPAN, MP 96950

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

March 22, 2022

SFM 2022-093

Nadia DLG. Benjamin
Acting Special Assistant to Management and Budget
Office of Management and Budget
Commonwealth of the Northern Mariana Islands
1st Floor Hon. Juan A. Sablan Memorial Bldg.
Caller Box 10007, Capitol Hill
Saipan, MP 96950

Subject: Fiscal Year 2023 General Revenue Estimates

Dear Acting Special Assistant Nadia DLG. Benjamin:

With the continued economic shortfall, the Governor's Council of Economic Advisers (GCEA) published a 2021 Annual Report in January of 2022 detailing policies, procedures, and strategies that the CNMI should take to recover from the COVID-19 Global Pandemic. This team is comprised of local industry leaders, government officials, and local economic experts built upon the same foundation and basic principles from the Fiscal Response Summit held in April of 2020. The summit had proposed solutions addressing our fiscal position that were discussed by leaders from both the public and private sectors through assistance and coordination provided by Graduate School USA through the PITI-VITI program.

In addition, the United States passed into law the American Rescue Plan Act (ARPA), establishing various funding sources that has helped the CNMI address the unique challenges of this pandemic. ARPA has helped the CNMI continue to provide vital government services, mitigate the spread of COVID-19, and safely open its borders to resume tourism.

By CNMI law, Fiscal Year (FY) 2023 estimates must be transmitted to the CNMI Legislature by April 1, 2022. The Department of Finance is submitting to your office an estimate of General Revenues for the Fiscal Year in consideration of responses from the Fiscal Response Summit, Governor's Council of Economic Advisors, and American Rescue Plan Act as discussed further in this memo.

As of March 22, 2022, the Department of Finance is in the process of assessing the post Covid economic impact. Although the CNMI will benefit from federal assistance and tourism resumption, the Department of Finance reserves the opportunity to provide an update as additional information is received.

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Table 1 below illustrates the Estimated General Revenue Schedule for Fiscal Year 2023. Gross operating resources for the year is estimated at \$150,415,492. This amount was reduced by \$49,062,925 because of debt service payments for its 2007 Series Bonds, 2020 Pension Obligation Note, NMI Settlement Fund (NMISF) payment, and earmarked CIQ Overtime Revolving Fund. These estimates do not include business gross revenue tax from the Exclusive Casino Licensee.

Table 1: FY 2023 Estimated Revenue

Estimated Gross Resources:		\$ 150,415,492
Less Debt Service, Settlement Agreement, and Earmark:		(49,062,925)
2007-A Refunding Bond Payment	(3,619,500)	
2007-B Refunding Bond Payment	(3,343,500)	
2020 Pension Obligation Note Payment	(2,886,600)	
NMI Settlement Fund	(39,000,000)	
Earmark – CIQ Overtime	(213,325)	
Net Total for FY 2022 Budgetary Resources for Appropriation		\$ 101,352,567

Please note that the estimates above assume continued *suspension* of the following statutorily earmarked provisions:

- 3 CMC 4413: Non-resident Worker Fee fund fees to the Northern Marianas College (NMC) and Public School System (PSS)
- 1 CMC § 2282: PSS Technical Education Program, 10% of gaming jackpot taxes. This program has earmarked funds per 4 CMC §1503(f) at the rate of 20% of gaming jackpot taxes as outlined above. Clarification from the Legislature is necessary to determine what earmark shall be applied for the fiscal year.
- 4 CMC §1503: PSS Technical Education
- 4 CMC §1508: 3rd & 2nd Senatorial District - PL 20-59
- PL 13-38: Tobacco Control – Cigarette Tax,
- OPA Current Year Fees
- 4 CMC §1503 Revenue and Taxation Enforcement
- 4 CMC §1402(g)(2): Cancer Fund – Cigarette Tax,
- 4 CMC §1803b: NMIRF - Hotel Tax (20%),
- 4 CMC §1803b: NMIRF - Alcohol Container (30%),
- 4 CMC §1803b : MVA - Alcohol Container (20%)
- PL 18-30: E-gaming Designated Accounts to NMIRF and Senatorial Districts
- 4 CMC §1402(g)(1): Solid Waste – Cigarette Tax,
- 4 CMC §1803(b): MVA – Hotel Tax,
- 4 CMC §1402(g)(3): GHLI – Cigarette Tax
- PL 21-3: MPLT Interest Appropriated

Suspension of the above earmarks is based on the previous suspension of earmarks for fiscal year 2022 as stipulated under Public Law 22-08.

One outcome on a proposed solution from the Fiscal Response Summit was additional revenue-generating measures. It is proposed that by implementing new rates and taxes, gross government resources can increase by an estimated \$6.3 million. Table 2 below outlines the various proposals and its fiscal effect:

Table 2: Fiscal Summit Proposal, Group B, April 2020

Summit Proposal	Estimated Effect
"Sin" Tax (Sugar beverages, Alcohol, etc.)	+ \$3,397,733
\$1 increase to Cigarettes (Tobacco) products	+ \$2,924,395
TOTAL	+ \$6,322,128

In addition, the Department of Finance supports legislative action on updating the Hotel Occupancy Tax for the 21st century by adopting a Transient Accommodation Tax. This would help narrow the technological gap and provide modern support for tourism in the CNMI.

The overall effects of these revenue generating activities are dependent upon numerous factors such as legislative action, administrative employment, and behavioral economic climate. Due to the high variability, the Department of Finance did not take into consideration these estimates for FY 2023.

GCEA has also continued to provide expertise in their fields, aiding in the recovery of the CNMI economy by spearheading discussions for both the public and private sectors with the creation of the Public and Private Partnerships (PPP) program. The PPP program was created with a goal to maintain and rehabilitate our tourism and recreational areas such as walkways, parks, and gymnasiums. This type of program plays a pivotal role with the goal of helping the CNMI move forward. Due to the lack of historical data, the Department of Finance did not take into consideration these programs for FY 2023.

In the current environment, the Travel Bubble program had established the CNMI as a safe destination for tourists. This shows a promising competitive advantage that we have over other tourist destinations and should help move the CNMI into a post Covid era. Because of the pandemic, anticipated pent up demand for tourism services should benefit the CNMI. Due to the lack of historical data, the Department of Finance did not take into consideration these programs for FY 2023.

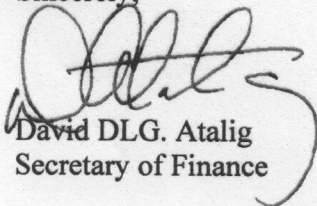
In addition to the American Rescue Plan becoming law, the Department of Finance estimates an additional \$32,000,000.00 available to be refunded for taxpayers in Earned Income Tax Credit (EITC) for next fiscal year. Due to the lack of historical data, the Department of Finance did not take into consideration this legislation for FY 2023.

The ARPA funding allows the CNMI Government to supplement personnel costs that cannot be covered under the General Fund. This will allow the CNMI Government to continue to have 80-hour work weeks and prevent furloughing employees. The ARPA funds must be accounted for separately from the General Fund. Due to the requirements of ARPA, the Department of Finance did not take into consideration this legislation for FY 2023.

The Estimated General Revenue for FY 2023 anticipates continued stagnation in all revenue resources in the post Covid environment as global travel restrictions ease and tourism supply rebuilds at an uncertain pace. The net resources available increased by 2.5% from the FY 2022 budget, Public Law 22-08. This increase is due largely to a gradual increase in tourism. Our forecasts factor in historical contexts when the CNMI did not have the casino industry and the tourism sector was not at its peak. The Department of Finance will continue to work with our federal partners, community stakeholders, and industry leaders to ensure that we rebound from the pandemic quickly and sustainably. Despite the challenges in the foreseeable future, we are hopeful that the Commonwealth can come together and utilize the limited resources to the best of its ability.

Should you have any questions or need clarification, please call me at 664-1100 or via email at d.atalig@dof.gov.mp.

Sincerely,



David DLG. Atalig
Secretary of Finance

Enclosed: Revenue Forecast Schedule for Fiscal Year 2023

*Cc: Governor
Lt. Governor*

Notes: In Fiscal Year 2023, the 25% for Retirees' Pension would be completely dependent on the Casino Business Gross Revenue Tax. Should this source of revenue reach a standstill, it would be essential for the CNMI to focus on other avenues for revenue generation.