

**Twentieth Northern Marianas Commonwealth Legislature**

**IN THE HOUSE OF REPRESENTATIVES**

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Session, 2017

H. B. 20- 28

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**A BILL FOR AN ACT**

To amend 4 CMC §§§ 2306, 2307 and 2308 (Public Law No. 18-56) to authorize, establish, and fund a Casino Gross Revenue Tax Account and CNMI Retiree Future Generation Pension Plan.

**BE IT ENACTED BY THE TWENTIETH NORTHERN MARIANAS  
COMMONWEALTH LEGISLATURE:**

1           **Section 1. Findings and purpose.** The Legislature finds that many  
2 residents in the Commonwealth rely heavily on their retirement pension to  
3 maintain a decent living. The Legislature further finds that because of the  
4 settlement fund agreement, retirees have lost twenty five percent (25%) of their  
5 pensions. This has drastically impacted their livelihood. Because of this and the  
6 continued increase in prices for basic commodities many residents struggle to  
7 make ends meet.

8           The Legislature further finds that the enactment of Public Law No. 18-56  
9 was intended to establish an exclusive gaming license for the operation of a casino  
10 on the island of Saipan and that the funds collected from the gaming license fees  
11 should be used to address the retirement pension reduction. Despite the  
12 enactment of Public Law No. 18-56, only a portion of the license fee was  
13 allocated for the payment of the 25% reduction in pension. In addition, the

1 Legislature is cognizant of the fact that the Fifteen Million US Dollars  
2 (\$15,000,000.00) that is collected from the annual license fee collections, falls  
3 short of what is actually needed to address the pension reduction—an estimated  
4 seventeen Million US Dollars (\$17,000,000.00) annually. Despite this fact, only a  
5 portion (Ten Million U.S. Dollars (\$10,000,000.00)) of the annual license fee is  
6 dedicated to address the pension reduction issue. The Legislature finds that in  
7 February 2016, the retirees' pension was again cut by twenty five percent (25%)  
8 due to the shortage of funding for the 25% payment.

9 Furthermore, the Legislature finds that the Trustee Ad Litem, during a  
10 presentation to the Members of the Legislature, stated that the Government's  
11 remittance of its obligations (annual payment as per Court Order, which the  
12 Government tries to pay on a monthly or quarterly basis) to the Settlement Fund  
13 are not consistent. This inconsistency causes the Trustee to tap into the corpus of  
14 the funds available for retirees.

15 Additionally, the Legislature finds that the annual exclusive casino fee of  
16 Fifteen Million US Dollars (\$15,000,000.00) is a lump sum payment that is  
17 readily available for investment into the Settlement Fund for the 25% pension  
18 payment. It is also a resource that assists the Trustee Ad Litem to avoid tapping  
19 the corpus which would greatly affect the lifespan of the fund. The Legislature  
20 finds that it is imperative that the corpus be protected for investment. Retirees  
21 would then continue to receive their complete pension which in turn will be  
22 invested back into the economy to help the Commonwealth grow its financial

1 standing. Furthermore, the Legislature finds that on February 18, 2016 Public  
2 Law 19-36 was enacted to assist in the payment of the retirees 25% pension.

3         Additionally, the Legislature finds that the Senatorial Districts have been  
4 responsible in paying for each respective Senatorial District's retiree's 25%  
5 pension. The Legislature finds that the actual distribution to each respective  
6 Senatorial District is much lower because they have taken it upon themselves to  
7 pay for the retirees 25% pension. The Legislature is cognizant of the fact that  
8 although the retirees 25% pension is a CNMI issue, each of the respective  
9 Delegations appropriates the needed funding to cover the retiree 25% pension.  
10 The Legislature finds that by dedicating the annual license fee to the retirees' 25%  
11 pension it is also important that the Senatorial Districts get monies from the  
12 Casino Gross Revenue Tax (GRT) to subsidize what they are giving up for the  
13 retirees 25% pension to assist the respective Delegations.

14         The Legislature finds that each of the respective Senatorial Districts have  
15 made sacrifices within each Delegation to make sure that all CNMI retirees are  
16 paid what is owed to them. Furthermore, the Legislature finds that each  
17 respective Delegation has their own unique challenges associated with funding  
18 within each municipality; however the Delegations did not compromise the  
19 retirees' 25% pension for specific pet projects.

20         The Legislature further finds that it is important to empower law  
21 enforcement entities within the Commonwealth to protect our borders and streets  
22 as the anticipated influx of goods, commodities and tourists will be frequently



1 visiting our islands. The Legislature additionally finds that our environment will  
2 also be greatly affected with the growth of our tourism industry and the continued  
3 infrastructure developments within our islands will be a burden to our current  
4 landfill.

5 Therefore, the intent of this Act is to amend 4 CMC §§§ 2306, 2307 and  
6 2308 (Public Law No. 18-56).

7 **Section 2. Amendments.** Notwithstanding any laws, provisions,  
8 regulations or statutes to the contrary, 4 CMC §§§ 2306, 2307 and 2308 are  
9 hereby amended to read as follows:

10 **“§ 2306. Fees and Initial Investment.**

11 (a) Application Fees. An applicant for a license under this chapter  
12 shall pay a one-time nonrefundable application fee of one million dollars.  
13 The applicant must submit an application to the Commonwealth Lottery  
14 Commission and deposit the one million dollars fee with the  
15 Commonwealth Treasury before May 2, 2014.

16 (b) Exclusive License Fees. The annual fee for the exclusive  
17 license shall be fifteen million dollars and shall be paid as follows:

18 (1) Payment of \$30,000,000 shall be paid upon the receipt  
19 of the exclusive casino license to cover the first and the  ~~fifth~~  last  
20 year.

21 (i) To be eligible for the exclusive license, the  
22 \$30,000,000 required for the first (2014) and  ~~fifth~~  last (2054)

1 year fees shall be deposited in a third party independent  
2 escrow account, to be selected by the Commonwealth  
3 Treasurer, no later than May 16, 2014. Documentation  
4 evidencing such deposit shall be submitted to the  
5 Commonwealth Lottery Commission with the applicant's  
6 business plan. The funds and any interest shall be released  
7 from escrow to the Commonwealth Treasurer upon the  
8 issuance of the exclusive casino license to the applicant  
9 depositing the funds. If an exclusive casino license is not  
10 issued to the applicant depositing the funds, the funds and any  
11 interest shall be released to such applicant upon the denial of  
12 the application.

13 (2) Payment of the \$15,000,000 annual license fee shall be  
14 paid when the fees for the second ~~through fourth years are~~ year are  
15 due and at least \$15,000,000 shall be paid for each year thereafter  
16 except for the last year; and

17 ~~(3) Payment of \$15,000,000 shall be paid when the fees for~~  
18 ~~the sixth year is due; and \$15,000,000 for each year thereafter.~~

19 (4) ~~(3)~~ The annual license fee shall be adjusted every five  
20 years based on the cumulative change in the Consumer Price Index  
21 developed by the Commonwealth Department of Commerce for  
22 Saipan for the previous five years. The license fee shall not be

1 reduced below \$15,000,000.

2 (c) An applicant must satisfy the payment requirements under  
3 subsections (a) and (b) of this section to be eligible for an exclusive  
4 license under this chapter. An applicant who fails to deposit the \$1 million  
5 and \$30 million as required shall be automatically rejected.

6 (d) An applicant who fulfills the requirements of subsections (a)  
7 and (b) shall submit an acceptable business plan to the Commonwealth  
8 Lottery Commission no later than May 16, 2014.

9 (1) The business plan must provide a timeline and cost  
10 breakdown that specifically demonstrates how and when the  
11 applicant will comply with the requirements of the minimum initial  
12 investment under subsection (e).

13 (e) The applicant who is granted an exclusive license under this  
14 chapter shall make an initial investment of at least two billion dollars, to  
15 include a casino and a resort with a minimum of 2,000 guest rooms. The  
16 purchase of an existing hotel shall not be included in satisfying the  
17 requirement of building 2,000 rooms.

18 **§ 2307. Disposition of Revenues.**

19 Notwithstanding any other law to the contrary, the moneys  
20 collected for licensing fees pursuant to this chapter shall be deposited into  
21 the Commonwealth Treasury in a separate account which shall be  
22 allocated to appropriate fund for the 25% reduction of the retirees and the



1 beneficiaries' pensions of the CNMI. Any additional funds realized shall  
2 be reserved in a special account to be known as the "Future Generation  
3 Pension Plan." and available for appropriation as follows:

4 ~~(a) \$2,000,000.00 of the annual license fee shall be~~  
5 ~~allocated to the First Senatorial District to be appropriated by the~~  
6 ~~First Senatorial District Legislative Delegation. Provided,~~  
7 ~~however, that the funds shall first be appropriated to pay for the~~  
8 ~~25% reduction of the First Senatorial District's retirees and the~~  
9 ~~beneficiaries' pension.~~

10 ~~(b) \$2,000,000.00 of the annual license fee shall be~~  
11 ~~allocated to the Second Senatorial District to be appropriated by~~  
12 ~~the Second Senatorial District Legislative Delegation. Provided,~~  
13 ~~however, that the funds shall first be appropriated to pay for the~~  
14 ~~25% reduction of the Second Senatorial District's retirees and the~~  
15 ~~beneficiaries' pension.~~

16 ~~(c) \$26,000,000.00 of the annual license fees received in~~  
17 ~~the first year shall be allocated to the Third Senatorial District for~~  
18 ~~the following:~~

19 ~~(1) \$25,000,000.00 shall be expended by the~~  
20 ~~Secretary of Finance without appropriation in the following~~  
21 ~~priority:~~

22 ~~(i) To restore the 25% reduction of the~~





1                   ~~25% reduction of the retirees and the beneficiaries'~~  
2                   ~~pensions of the Third Senatorial District.~~

3                   ~~(2) \$1,000,000.00 shall be allocated to the Third~~  
4                   ~~Senatorial District to be appropriated by the Third~~  
5                   ~~Senatorial District Legislative Delegation.~~

6                   ~~(e) The Secretary of Finance shall establish and maintain a~~  
7                   ~~Commonwealth Casino Application Fee Special Fund to be kept~~  
8                   ~~separate and apart from the general funds of the Commonwealth~~  
9                   ~~government. The nonrefundable application fees shall be~~  
10                  ~~deposited in the Special Fund and expended by the Commonwealth~~  
11                  ~~Lottery Commission, without appropriation, for the investigation~~  
12                  ~~of license applicants pursuant to 1 CMC §2318 and any other costs~~  
13                  ~~associated with reviewing the applications and granting or denying~~  
14                  ~~applications for the exclusive license. Any funds remaining in the~~  
15                  ~~Special Fund shall be expended by the Commission, without~~  
16                  ~~appropriation for the operation, personnel, and all other expenses~~  
17                  ~~of the Commission for the first year. The expenditure authority for~~  
18                  ~~the Special Fund shall be the chairpersons of the respective~~  
19                  ~~commissions. The Secretary of Finance shall maintain records and~~  
20                  ~~account for the expenditures made from the Special Fund."~~

21                  **§ 2308. Disposition of Gross Revenue Tax.**

22                  (a)   The Secretary of Finance shall establish a special

1                   Casino Gross Revenue Tax (GRT) Account  
2                   separate from the general funds. The funds in  
3                   the Casino GRT Account shall not lapse and not  
4                   subject to fiscal year limitation. In addition, the  
5                   Secretary of Finance shall keep a record in the  
6                   accounting system of the casino GRT funds  
7                   allocated pursuant to subsections (b)(1) and  
8                   (b)(2) of this section.

9                   (b) Notwithstanding 4 CMC §§ 1802 and 1804 or any  
10                   other laws, gross revenue tax generated from a  
11                   license holder under this chapter shall be  
12                   deposited in the Casino Gross Revenue Tax  
13                   Account. The funds in the Casino Gross  
14                   Revenue Account shall be appropriated for the  
15                   following purposes:

16                   (1) Each Fiscal Year \$15,000,000.00 shall be allocated to  
17                   and available for appropriations as follows:

18                   (i) \$2,000,000.00 shall be allocated to the First  
19                   Senatorial District to be appropriated by the First  
20                   Senatorial District Legislative Delegation.

21                   (ii) \$2,000,000.00 shall be allocated to the Second  
22                   Senatorial District to be appropriated by the Second

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Senatorial District Legislative Delegation.

(iii) \$11,000,000.00 shall be allocated to the Third  
Senatorial District as follows:

(1) \$1,500,000.00 is continuously appropriated,  
not subject to fiscal year limitation, for the  
Saipan Higher Education Financial Assistance  
(SHEFA); and

(2) \$9,500,000.00 shall be appropriated by the  
Saipan and Northern Islands Legislative  
Delegation.

(2) After the amounts required pursuant to subsection  
(b)(1) of this section are satisfied, the balance of the Casino Gross  
Revenue Account shall be reserved for appropriation by the  
legislature for the following purposes, provided however that 10%  
of the Revolving Account balance at the end of each Fiscal Year  
shall be reserved for future emergencies; the Secretary of the  
Department of Finance shall create a special account for these  
funds and shall be known as the "Emergency Account" that can  
only be appropriated as emergencies have been declared for the  
Commonwealth of the Northern Mariana Islands:

(a)(A) For the Levelized Energy Adjustment Clause (LEAC)  
Rate Subsidy Ac-count. The Secretary of Finance shall establish a



1 LEAC Rate Subsidy Account. A portion of the gross revenue tax  
 2 generated from a casino licensed under this chapter shall be  
 3 deposited in this account shall be used primarily to subsidize the  
 4 LEAC Rate that would otherwise be passed on to utility customers;

5 ~~(b)~~ (B) For the Commonwealth Healthcare Corporation,  
 6 provided however that some funds are allocated to the Community  
 7 Guidance Center for the treatment of substance abuse (addictions)  
 8 and gambling addictions;

9 ~~(e)~~ (C) For the Medical Referral Program;

10 ~~(d)~~ (D) For the payment of land compensation for the  
 11 taking of private lands judgments; and

12 ~~(e)~~ (E) Public School System-;

13 (F) Northern Marianas College;

14 (G) Department of Public Safety;

15 (H) Department of Corrections;

16 (I) Department of Fire;

17 (J) Retirees biannual bonus (June and December);

18 (K) Department of Finance (Division of Customs); and

19 (L) Department of Public Works”

20 **Section 3. Severability.** If any provisions of this Act or the application  
 21 of any such provision to any person or circumstance should be held invalid by a  
 22 court of competent jurisdiction, the remainder of this Act or the application of its

1 provisions to persons or circumstances other than those to which it is held invalid  
2 shall not be affected thereby.

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

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

Prefiled: Jan. 27, 2017

Date: \_\_\_\_\_ Introduced By: [Signature]  
Rep. Blas Jonathan "BJ" T. Attao

Reviewed for Legal Sufficiency by:

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House Legal Counsel

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