



# House Journal

**Adopted  
May 29, 2008**

**5th Day**

**Monday, March 3, 2008**

The House of Representatives of the Sixteenth Northern Marianas Commonwealth Legislature convened in its Fifth Day, First Regular Session on Monday, March 3, 2008, at 10:18 a.m. in the House Chamber on Capitol Hill, Saipan.

The Honorable Arnold I. Palacios, Speaker of the House, presided.

A moment of silence was observed.

The Clerk called the roll and twenty members were present.

Speaker Arnold Palacios: A quorum in duly established. If there is no objection, I would like to ask that we move down to Item 12, Reports of Standing Committees so that we can dispose of the four standing committee reports.

There was no objection raised.

## **ADOPTION OF JOURNALS**

None

## **INTRODUCTION OF BILLS**

NONE

## **INTRODUCTION OF RESOLUTIONS**

NONE

## **MESSAGES FROM THE GOVERNOR**

GOV. COMM. 16-56: (2/28/08) From Acting Governor Villagomez withdrawing the appointment of Mr. Joaquin S. Mangloña as a member of PUC.

There was no discussion under this Item of the Order of Business.

## **SENATE COMMUNICATIONS**

NONE

## **HOUSE COMMUNICATIONS**

**COMMUNICATIONS FROM THE JUDICIAL BRANCH**

None

**COMMUNICATIONS FROM THE RESIDENT REPRESENTATIVE**

NONE

**COMMUNICATIONS FROM DEPARTMENTS & AGENCIES**

NONE

**OTHER COMMUNICATIONS**

NONE

**REPORTS OF STANDING COMMITTEES**

The Chair recognized the Floor Leader.

Floor Leader Camacho: Mr. Speaker, a motion for the adoption of Standing Committee Report 16-2 reporting on H. B. NO. 16-1.

The motion was seconded.

**S. C. R. NO. 16-2**: REPORTING ON H. B. NO. 16-1, ENTITLED, "A BILL FOR AN ACT TO AMEND THE COMMONWEALTH CODE TO TAKE INTO ACCOUNT THE ROTA CASINO INITIATIVE RECENTLY ENACTED BY THE VOTERS OF THE FIRST SENATORIAL DISTRICT; AND FOR OTHER PURPOSES. *YOUR COMMITTEE ON WAYS AND MEANS RECOMMENDS PASSAGE IN ITS PRESENT FORM.*

Speaker Arnold Palacios: Discussion on the motion. Representative Babauta, recognized.

Representative Babauta: Mr. Speaker, I would like to ask the Committee if there are any additional testimonies received from departments or agencies. We are adopting S. C. R. NO. 16-1, correct?

Speaker Arnold Palacios: S. C. R. NO. 16-2.

Representative Babauta: I am sorry, Mr. Speaker. I thought I heard the motion for S. C. R. NO. 16-1.

Speaker Arnold Palacios: Ready for the question.

There was no discussion; the motion to adopt S. C. R. NO. 16-2 was carried by voice vote.

Speaker Arnold Palacios: S. C. R. NO. 16-2 is hereby adopted. I recognize Representative Babauta.

Representative Babauta: Mr. Speaker, may I ask the Committee Chair or any of the committee members whatever happened to Civil Case 04-0326C? I just want to find out what happened in that civil action.

The Chair recognized Representative Hocog.

Representative Hocog: Mr. Speaker, I guess we can take care of Representative Babauta’s concern under the discussion of the Bill. We have already adopted the committee report and we will explain to him when the bill is placed on today’s calendar.

Representative Babauta: No objection, Mr. Speaker. Thank you.

Floor Leader Camacho: Mr. Speaker, that being said, motion for placement of Standing Committee Report 16-2 reporting on H. B. NO. 16-1.

Speaker Arnold Palacios: Is there a second to that motion?

The motion was seconded; and there being no discussion, the motion to place H. B. NO. 16-1 with reference to S. C. R. NO. 16-2 on the Bill Calendar was carried by voice vote.

The Chair recognized the Floor Leader.

Floor Leader Camacho Mr. Speaker, a motion for the adoption of Standing Committee Report 16-3 reporting on H. B. NO. 16-2.

The motion was seconded.

**S. C. R. NO. 16-3:** REPORTING ON H. B. NO. 16-2, ENTITLED, “A BILL FOR AN ACT TO AMEND PUBLIC LAW 15-8 TO REALLOCATE POKER LICENSE FEES TO EACH SENATORIAL DISTRICT; AND FOR OTHER PURPOSES. *YOUR COMMITTEE ON WAYS AND MEANS RECOMMENDS PASSAGE IN THE FORM OF HOUSE DRAFT I.*

Speaker Arnold Palacios: The motion is to adopt S. C. R. NO. 16-3 reference to H. B. NO. 16-2 has been seconded. I recognize Representative Deleon Guerrero.

Vice Speaker Deleon Guerrero: Thank you, Mr. Speaker. I am not that clear about the intent of the bill. If I understand it correctly, what this bill proposes is basically that the lowest number of licenses – which would be Rota – that there would be that basis and that would apply to the Second and the Third Senatorial Districts so that it would be up to Rota’s figure. May I ask what is Rota’s figure – how many licenses are we looking at?

Representative Hocog: Probably 64 at this point in time.

Vice Speaker Deleon Guerrero: What this proposes is that for all three senatorial districts the first 64 machines would be licensed and stay within that senatorial district?

Representative Hocog: That is correct.

Vice Speaker Deleon Guerrero: And on top of that, it says that it shall be allocated with subsection 1 and subsection (1) states that \$200,000 shall go towards the Department of Finance for enforcement purposes and shall not be reprogrammed. So anything above that 64 licensed machines, \$200,000 shall to go the Department of Finance for enforcement for each of the senatorial districts. Is that correct?

Representative Hocog: If I may explain, Mr. Speaker.

Speaker Arnold Palacios: Recognized.

Representative Hocog: The \$200,000 is further amended and that \$100,000 shall not be reprogrammed for the purposes of enforcement in each senatorial district. With regards to the cap, per se that Rota has the lowest licenses then whatever the Third and the Second Senatorial Districts have minus the 64 will continue to apply the current applicability of distribution percentage-wise.

Vice Speaker Deleon Guerrero: In the case of the Third Senatorial District, there are two accounts that this goes into: \$6,000 to the General Fund and the other \$6,000 goes to the local senatorial fund account. Which of two accounts are going to be affected by your proposal?

Representative Hocog: Actually, it does not affect anything because the \$6,000 for the Third Senatorial District is 50% of the \$12,000 which will continue to go to the General Fund and the other \$6,000 goes to the Senatorial District. For the Second Senatorial District, if Tinian exceeds the 64 cap, then whatever the distribution provided in the statute will continue to confer with the same allocation. For example Rota, 40% for the municipality and 60% for the General Fund. What this bill is trying to do is use the total revenue license fees for the respective municipality and that is why we capped it at the lowest number of poker license.

Vice Speaker Deleon Guerrero: So what you are saying is that this will not affect the Third Senatorial District, or it will?

Representative Hocog: It will.

Vice Speaker Deleon Guerrero: And the money, \$200,000 or anything above the 64 license will come out of local or the General Fund portion, or both? It is unclear to me.

Representative Hocog: On the \$200,000 on the distribution for enforcement –

Speaker Arnold Palacios: Let me call for a short recess.

*The House recessed at 10:30 a.m.*

*RECESS*

*The House reconvened at 10:37 a.m.*

Speaker Arnold Palacios: We are back to plenary session. I recognize the Floor Leader.

Floor Leader Camacho: Mr. Speaker, respectfully pursuant to the discussions that we had earlier, I withdraw the motion for adoption.

The motion was seconded.

Speaker Arnold Palacios: The motion is to withdraw the adoption of S. C. R. NO. 16-3. Discussion on that motion.

Representative Babauta: Point of clarification, Mr. Speaker. Did someone recommend that we refer this to the committee?

Speaker Arnold Palacios: Not yet.

Vice Speaker Deleon Guerrero: Mr. Speaker, per Representative Babauta's request can there be a subsidiary motion to refer this to the committee so that we can make it one motion.

Floor Leader Camacho: We can do that, Mr. Speaker.

Speaker Arnold Palacios: The subsidiary motion then is to withdraw the motion to adopt and refer it back to the committee. Is there a second?

The motion was seconded, and the motion to recommit S. C. R. NO. 16-3 was carried by voice vote.

Speaker Arnold Palacios: S. C. R. NO. 16-3 is referred back to the Committee on Ways and Means.

Floor Leader Camacho: Mr. Speaker, a motion for adoption on Standing Committee Report 16-4 reporting on H. B. NO. 16-3.

The motion was seconded.

**S. C. R. NO. 16-4:** REPORTING ON H. B. NO. 16-3, ENTITLED, "A BILL FOR AN ACT TO AMEND 4 CMC § 1301 TO EARMARK GROSS RECEIPTS TAXES COLLECT FROM GAMBLING ESTABLISHMENTS IN THE FIRST SENATORIAL DISTRICT SO THEY MAY BE APPROPRIATED BY THE LEGISLATIVE DELEGATION FROM THE THIRD SENATORIAL DISTRICT; AND FOR OTHER PURPOSES. *YOUR COMMITTEE ON WAYS AND MEANS RECOMMENDS PASSAGE IN ITS PRESENT FORM.*

Speaker Arnold Palacios: It has been moved and seconded for the adoption of S. C. R. NO. 16-4 reference H. B. NO. 16-3. Discussion on the motion. Ready?

There was no discussion and the motion to adopt S. C. R. NO. 16-4 was carried by voice vote.

Speaker Arnold Palacios: The motion carried. Floor Leader, recognized.

Floor Leader Camacho: Mr. Speaker, a motion place H. B. NO. 16-3 on the Bill Calendar.

The motion was seconded and carried by voice vote.

Speaker Arnold Palacios: H. B. NO. 16-3 is hereby placed on the Bill Calendar.

Floor Leader Camacho: Mr. Speaker, a motion to adopt S. C. R. NO. 16-5 reporting on H. B. NO. 16-7.

The motion was seconded.

**S. C. R. NO. 16-5:** REPORTING ON H. B. NO. 16-7, ENTITLED, “A BILL FOR AN ACT TO INCLUDE THE ELECTRICAL SYSTEM UPGRADE FOR THE TINIAN JUNIOR AND SENIOR HIGH SCHOOL UNDER THE FUNDING APPROPRIATED UNDER PUBLIC LAW 12-69; AND FOR OTHER PURPOSES. *YOUR COMMITTEE ON WAYS AND MEANS RECOMMENDS PASSAGE IN ITS PRESENT FORM.*

Speaker Arnold Palacios: The motion to adopt S. C. R. NO. 16-5 reference H. B. NO. 16-7 has been seconded. Discussion on the motion.

There was no discussion and the motion to adopt S. C. R. NO. 16-5 was carried by voice vote.

Speaker Arnold Palacios: S. C. R. NO. 16-5 is hereby adopted. I recognize the Floor Leader.

Floor Leader Camacho: Mr. Speaker, I move to place H. B. NO. 16-7 on the Bill Calendar.

The motion was seconded and carried by voice vote.

Representative Sablan: Mr. Speaker, if I may, what is H. B. NO. 16-7?

Representative Hofschneider: Attached to S. C. R. NO. 16-5.

Representative Sablan: Oh, okay.

Speaker Arnold Palacios: Clarified. Discussion on the motion.

There was no discussion; H. B. NO. 16-7 was placed on the Bill Calendar.

Speaker Arnold Palacios: H. B. NO. 16-7 is hereby placed on the Bill Calendar. I would like to call for a one minute recess.

*The House recessed at 10:42 a.m.*

*RECESS*

*The House reconvened at 10:48 a.m.*

Speaker Arnold Palacios: We are back to our session, and we move on to Resolution Calendar.

**REPORTS OF SPECIAL AND CONFERENCE COMMITTEES**

NONE

**UNFINISHED BUSINESS**

NONE

**RESOLUTION CALENDAR**

The Chair recognized Floor Leader Camacho.

Floor Leader Camacho: Mr. Speaker, there is H. R. NO. 16-6, a motion for adoption.

**H. R. NO. 16-6:** A HOUSE RESOLUTION RECOGNIZING THE NEED TO ASSIST THE DISABLED CITIZENS OF OUR ISLANDS IN THEIR PARKING NEEDS AT THE FRONT OF THE LEGISLATURE; AND FOR OTHER PURPOSES.

Speaker Arnold Palacios: May I ask that the Floor Leader withdraw that motion at this point and I will explain.

Floor Leader Camacho: I so move, Mr. Speaker, I withdraw my motion.

Representative Benavente: No objection.

Speaker Arnold Palacios: This morning I personally asked the L.B. Deputy Director to consult, contact the ADA folks to make sure that they give us some guidance as to the issue of handicapped parking compliance as well as other compliance issues in the Legislature. So I would like to ask that we defer action on this until we get that report. Is that okay with the members?

Representative Stanley Torres: Expeditiously.

Speaker Arnold Palacios: I think we should get a report by the end of the day. I recognize the Vice Speaker.

Vice Speaker Deleon Guerrero: Mr. Speaker, the Deputy Director sent me a text message that she was unable to contact ADA office at this time, and that there is some information being forwarded to your office.

Speaker Arnold Palacios: We will get that information out to the members. I now recognize Representative Raymond Palacios.

Representative Raymond Palacios: I believe the ADA is just one agency, and I would also recommend that they contact NMPASI (Northern Marianas Protection and Advocacy Systems, Inc.) because they are the enforcement agency that protects and advocates the rights of persons with disabilities. The ADA Guidelines is also online and this is just for information.

Speaker Arnold Palacios: We will pass that on to the L.B. Deputy Director. Mr. Floor Leader.

Floor Leader Camacho: Mr. Speaker, I move for the adoption of H. C. R. NO. 16-1.

The motion was seconded.

**H. C. R. NO. 16-1:** A HOUSE CONCURRENT RESOLUTION TO APPROVE REVENUES AND RESOURCES OF THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS, AS IDENTIFIED PURSUANT TO ARTICLE III, SECTION 9(A) OF THE CONSTITUTION, AS AMENDED, AND 1 CMC DIVISION 7, FOR FISCAL YEAR 2008, BEGINNING OCTOBER 1, 2007, AND ENDING ON SEPTEMBER 30, 2008

Speaker Arnold Palacios: The motion for the adoption of H. C. R. NO. 16-1 has been seconded. Under discussion on the motion, I recognize Representative Sablan.

Representative Sablan: So we are looking at H. C. R. NO. 16-1, not H. C. R. NO. 16-1, HS1. Is that correct?

Representative Yumul: Mr. Speaker, if you had recognized me first, I would have made that motion to substitute, but it is okay, I will wait.

Speaker Arnold Palacios: Representative Yumul, recognized.

Representative Yumul: Thank you, Mr. Speaker. I would like to introduce H. C. R. NO. 16-1, House Substitute 1.

The motion was seconded.

The House substitute as offered by Representative Yumul reads:

To approve revenues and resources of the Commonwealth of the Northern Mariana Islands, as identified pursuant to Article III, Section 9(a) of the Constitution, as amended, and 1 CMC Division 7, for Fiscal Year 2008, beginning October 1, 2007, and ending on September 30, 2008.

**WHEREAS**, pursuant to Article III, Section 9(a) of the Commonwealth Constitution, as amended, and 1 CMC §§ 7201, 7202 and 7203, the governor shall submit to the legislature a proposed annual balanced budget for the following fiscal year and the proposed balanced budget shall describe anticipated revenues of the Commonwealth and recommend expenditures of Commonwealth funds; and

**WHEREAS**, Governor Fitial identified projected resources in the amount of \$168,771,000 for Fiscal Year 2008 in his FY 2008 Budget Transmittal letter dated September 10, 2007; and

**WHEREAS**, Governor Fitial revised the projected resources as available for appropriations for Fiscal Year 2008 from \$168,771,000 to \$160,100,000 in his FY 2008 Resources Transmittal letter dated September 12, 2007; and

**WHEREAS**, Governor Fitial re-affirmed the projected resources for Fiscal Year 2008 in the amount of \$171,368,000 in his FY 2008 Resources Transmittal letter dated January 28<sup>th</sup>, 2008 identified as Governor's Communication No. 16-19 (House of Representatives); and

**WHEREAS**, the Legislature desires to approve these resources which are available for appropriation in Fiscal Year 2008 less debt service previously appropriated;

**NOW, THEREFORE, BE IT RESOLVED**, by the House of Representatives of the Sixteenth Northern Marianas Commonwealth Legislature, the Senate concurring, that the revenues for Fiscal Year 2008, ending September 30, 2008, as submitted by the Governor and reviewed by the Legislature are hereby approved as follows:

I. The total identified budgetary resources for FY 2008 is	\$ 171,368,000
II. This amount is subject to the following adjustments:	
(a) <b>Less</b> debt services previously appropriated:	
1) PSS Bond repayment	\$ 1,409,000>
2) 2000A \$60M Bond payment	<\$ 235,000>
3) 2003A \$40M Bond payment	<\$ 176,000>
4) 2007A Refunding bond payment	<\$ 3,163,000>
5) 2007B Refunding bond payment	<\$ 2,135,000>
<b>Subtotal</b>	<b>\$ 164,250,000</b>
III. (a) Total local revenue and resources available for appropriation for Commonwealth Government activities in Fiscal Year 2008, excluding the Department of Public Lands	<b><u>\$ 164,250,000</u></b>
(b) Department of Public Land	\$ 3,232,473
<b>Grand Total</b>	<b>\$ 167,482,473</b>



**BE IT FURTHER RESOLVED**, that the Speaker of the House of Representatives and the President of the Senate shall certify and the House Clerk and the Senate Legislative Secretary shall attest to the adoption of this House Concurrent Resolution and thereafter transmit a certified copy to the Honorable Benigno R. Fitial, Governor of the Commonwealth of the Northern Mariana Islands.

Speaker Arnold Palacios: A motion is offered by Representative Yumul to substitute H. C. R. NO. 16-1 and is has been seconded.

Floor Leader Camacho: Mr. Speaker, clarification – we are now discussing the substitute, is that correct?

Speaker Arnold Palacios: That is correct. Any discussion on H. C. R. NO. 16-1, HS1? I recognize Representative Babauta.

Representative Babauta: I understand that the Governor’s communication to the legislature is less than what we are to concur to this morning. May I ask the committee where the increase came from?

Representative Yumul: Mr. Speaker, the Governor’s communication dated January 28 basically the Governor had request the continued earmarking of certain public law or revenue streams and the committee, in order to try to fund some of the government operations to include critical services, require that we suspend those earmarks as required by the Governor in the form of the Tobacco Control Fund, the Solid Waste Management Fund and the Deportation Fund. The Tobacco Control Fund and the Solid Waste Management Fund were answered in H. B. NO. 16-51 where we added a landfill under the Department of Public Works (DPW) and also for the Tobacco Control Fund the Secretary of the Department of Public Health will fund these programs in the interim for this fiscal year.

Representative Babauta: Mr. Speaker, I am just concern that some of these earmarked funds are utilized for the intended purposes for instance the enforcement at the Department of Labor. Personnel are employed under those accounts for enforcement purposes and if we are to commingle these earmarked funds in the general expenditure, how would these people continue to enforce the labor policies?

Representative Yumul: The Committee on Ways and Means issued a call for all the departments and agencies to come in and sit with the Committee so that we can discuss their budget as submitted by the Governor, whether they are in agreement with it or not, the Committee made attempts on a few occasions to work the with Secretary of the Department of Labor to come in and sit with the Committee and I received a nice little email from one of the staff of the Secretary of the Department of Labor who indicated to me that they will not participate in any of our scheduled public hearings concerning their budget. That was it. So if this would be an immediate concern of the Department of Labor I think it behooved them to have met with the Committee so that we can discuss that.

Speaker Arnold Palacios: Before I recognize any other member, I would like to recognize the presence of Senator Pangelinan in the gallery. Welcome, Senator. Representative Babauta, you still have the floor.

Representative Babauta: I will yield for now.

Speaker Arnold Palacios: Representative Hofschneider, recognized.

Representative Hofschneider: If you turn to page 2, beginning line 13, Total Local Revenue and Resources – is Compact Impact considered local funding under this proposed budget?

Representative Yumul: No it is not. It is considered a grant under Federal Law 108-188.

Representative Hofschneider: Was it included in the outlay?

Representative Yumul: It is included under H. B. NO. 16-51 that we will concur with the Governor's grant request of Compact Impact on how it is to be disbursed.

Representative Hofschneider: Mr. Speaker, I would like to ask the legal counsel for a clarified question and that is – does it preempt the legislature from identifying as an appropriation item? Because if you include it in the outlay and you do not include it in the identification of revenues, then the budget is not balanced.

Speaker Arnold Palacios: Let me go ahead and allow the legal counsel to answer the question.

*House Counsel Ian Catlett: Thank you, Mr. Speaker. It is not included and recognized under the resolution or the budget bill, but it is referenced in the budget bill. It is not officially identified as appropriations funds. It is recognized as a grant. If you look in H. B. NO. 16-51, there is a section on it. It is on Section 1204 on page 50 of H. B. NO. 16-51. That is merely recognizing money that is already there and has already been, as Chairman Yumul said, a grant to the agencies that are listed in (a) through (g) on page 50 of the budget bill.*

Representative Hofschneider: The leading question that I have then is -- is this a balanced budget if you include it in the outlay?

Representative Yumul: Technically, the bill is balanced because we have reduced these departments and agencies by the corresponding amount that they will receive under the grant. So we did balance it under the strict understanding that the grant will supplement the agencies and departments.

Representative Hofschneider: So \$167,482,473 takes into consideration the five some million dollars in Compact Impact?

Representative Yumul: It takes into consideration that –

Representative Hofschneider: Is it buried in?

Representative Yumul: It is not buried in. We reduced the agencies and departments that are to receive Compact Impact by the corresponding amounts on page 50.

Representative Hofschneider: When you reduce that means that the resources has to correspond to the reduction. If you are supplementing local identified revenue and the Governor initially submitted \$160 Million, where did the \$7 Million come from? From the earmarking that we relieved increasing the total local revenue identified? But in the outlay you programmed the equivalent of the Compact Impact.

Representative Yumul: Mr. Speaker, we are amenable in amending the concurrent resolution to memorialize.

Representative Hofschneider: No, my question, Mr. Speaker, is initially to the legal counsel. Is there anything preempting the legislature in identifying the Compact Impact to be included as resources which is consistent with the outlays provided in the budget proposal.

Speaker Arnold Palacios: Legal counsel.

*House Counsel Ian Catlett: I can't answer that right now, that will take legal research. I do not know about the status of the federal grants. I wouldn't want to give you an answer that quickly, I am sorry, but as far as –*

Representative Hofschneider: Let me make it very simple – is there reference in the NMI Constitution that says all incomes belonging to the Commonwealth shall not be expended until it is appropriated by the legislature. Does this conform – the Compact Impact conforms then when we receive it as income or revenue identified to be appropriated by the legislature of the Commonwealth?

*House Counsel Ian Catlett: Again, I wouldn't want to answer that on short notice. I would need to look into that, but I will look into that.*

Representative Yumul: Mr. Speaker, may I request for a recess.

Speaker Arnold Palacios: Before we recess, I am going to recognize Representative Babauta.

Speaker Babauta: I was going to ask for a short recess.

Speaker Arnold Palacios: Okay, we will go into a short recess to clarify some of these issues. Short recess.

*The House recessed at 11:03 a.m.*

*RECESS*

*The House reconvened at 11:15 a.m.*

Speaker Arnold Palacios: We are back to our session and under discussion of H. C. R. NO. 16-1, House Substitute 1. There were several questions raised. Representative Hofschneider, you may continue.

Representative Hofschneider: I remember, Mr. Speaker, when the Governor today was then the Speaker and there was a contested issue about the Compact Impact funds denying the legislature from appropriating or the participation of appropriation and expenditure of those funds. He wrote a letter to the U.S. Congress and the Department of the Interior and we should have that in our archives. Nothing preempts a state legislature from including it in legislation or creating a law that specifically mandates appropriation of those funds. By way of introducing a budget act it is in fact for all intents and purposes a law when we are providing clarity that the usage of the Compact Impact in this proposed budget is included as revenue. Further, if the argument is to be made and it is true, the Governor is the only one that can identify resources of the Commonwealth for appropriation and thereby expenditure. So, one behooves to think that the \$164 Million is consistent with the Governor's message of \$160 Million. We have in fact exceeded, but the basic rule of his identification is \$171,368,000. Therefore, you have room to include Compact Impact funds within the \$160 Million. If you add on the \$5.7 Million, you are still way below the \$171,368,000. The

problems lies in which the dedicated bond service or the debt service to those five remaining bond obligations.

Representative Hocog: Mr. Speaker, can I then ask my good colleague, Representative Hofschneider, for any amicable resolution to make an amendment on the floor to include the Compact Impact funds as part of the identified resources.

Representative Hofschneider: I think nothing is stopping the person holding the floor from do so, Mr. Speaker, with all due respect. The grants and terms of the Compact Impact funds is quite clear that it does not preempt the legislature from doing so, it is just that the condition set for the usage of the money.

Vice Speaker Deleon Guerrero: Can I ask the legal counsel for clarification. We understand that the bill now, the Governor now when he was the Speaker introduced legislation basically asserting that it is the legislature's purview to appropriate new monies. That bill was reintroduced in the 15<sup>th</sup> Legislature, it was vetoed by the Governor, and overridden by the Legislature. So it is now law. My question to counsel is – does the grant condition allow for – we have CNMI law, but we also have the federal mandate and who is the authority for appropriating those funds, so I would like to hear from the legal counsel if it conflicts, which one takes precedence.

Representative Hofschneider: Mr. Speaker, may I add to that before the counsel responds. Just a background information about the definition of Compact Impact.

Speaker Arnold Palacios: You may proceed.

Representative Hofschneider: For the longest time, this is the politics of the definition – Compact Impact funds is for all intents and purposes today a grant because it is not politically savvy to say it is a reimbursement of the impact of Micronesians on public health, public education, public safety issues, social issues, economic issues. So both parties have failed in that respect providing definition that suits somewhat a diplomatic definition instead of the reality of why the grant is being forwarded to the Commonwealth, the State of Hawaii, and Guam. Today, whether you call it a grant, it impacts expenditure on the local revenue side and nothing precludes the legislature from establishing a law that includes Compact Impact to be appropriated and accounted for in the budget outlay. What we are doing is being quiet and silent about the identification of the Compact Impact funds. Include it and if the Governor objects, he can veto it. He should have a good, legal, and sound justification or defense for vetoing it. But for us to include it in the outlay and not identify it as resources on the Concurrent Resolution, we failed halfway.

Vice Speaker Deleon Guerrero: The fact of the matter is that the Governor has not identified the Compact Impact – members can correct me if I am wrong – in his transmittal to the legislature and it is not the legislature's purview or authority to identify those as resources. If he did then we can, but he did not.

Representative Hofschneider: We cannot outlay it?

Vice Speaker Deleon Guerrero: We cannot, and it is not outlaid. It was acknowledged but it is not outlaid. As far as the reduction, that is the legislature's purview to budget the departments, which we did.

Representative Hofschneider: Mr. Speaker, with all due respect, if one clearly breaks down the budget and looks at the Public School System (PSS) there is a glaring discrepancy on PSS's budget. There is a notation to it that \$2 Million is expected from Compact Impact. The budget is not balanced.

Vice Speaker Deleon Guerrero: One thing about the PSS budget that we did do is that we did meet the constitutional requirement of the minimum of fifteen percent (15%) of the total budget be allocated to them. If my calculations are correct, we are near 24% allocated to PSS. So we did meet the constitutional mandate of budgeting PSS.

Representative Hofschneider: Mr. Speaker, I do not want to dwell into the details of the budget because we are only addressing the issue on the Concurrent Resolution. Be it as it may, as it stands for your information, if one cares to call the PSS office and ask them for the actual payroll costs, it is under-funded by almost five million dollars. Therefore, Mr. Speaker, on the issue of identification of revenues, we can rest – and I will rest – on the fact that Compact Impact will not be included, but the outlay will be questioned as to where you got the increase, because when you plug in Compact Impact equivalent, you may reflect on the other worksheet to make it a balanced budget. So, if you plug in \$2 Million somewhere, someone received the \$2 Million equivalent and that is where we are going to go into the detail of the budget.

Representative Hocog: Mr. Speaker, maybe we can go back a little further to the 15<sup>th</sup> Legislature. We are very fortunate that our good former Speaker is still with this House. I noticed that the Governor transmitted resources in the amount of \$168 Million to be appropriated by the Legislature in which the House of Representatives of the Fifteenth Northern Marianas Commonwealth Legislature acted upon the \$168 Million resources, unfortunately the Senate did not act on that specific House Concurrent Resolution. So I wonder why the eight point some million dollars is not included in today's Concurrent Resolution for appropriation. I would like to ask our good able former Speaker to just highlight to the members as to what took place during the time the former Speaker received the same identification of resources in the concurrent resolution as what the Senate of the 15<sup>th</sup> Legislature acknowledged from the Governor's Office. Maybe we can start doing our math in balancing the budget or whether or not they will consider appropriating the Compact Impact in the absence of its identification as available resources to be placed in this budget act.

Representative Babauta: Let me yield to the Special Chair for that particular budget, the honorable former Vice Speaker Quitugua.

Representative Quitugua: Mr. Speaker, if I recalled correctly, the available resources that was sent to the legislature from the Governor included the \$5.1 Million Compact Impact funds.

Speaker Arnold Palacios: It was included in the September 10 message.

Representative Apatang: Mr. Speaker, but the second communication from the Governor reduces the first communication, which was for \$160 Million. The question is was the Compact Impact funds included in that communication.

Representative Yumul: Mr. Speaker, Representative Apatang is referring to the September 12 communication and the Governor made a one page description of the budget for \$160,100,000 and then indicated the amount to be appropriated for public lands. The September 10<sup>th</sup> communication was the communication that he had and clarifies as allowable expenditure level for FY 2007 versus

2008 where he indicated for FY 2008 that general fund resources would be \$160,100,000; Compact Impact funding to the tune of \$5.171 Million; outside general source funding, mainly the local earmarks at \$3.5 Million, which gave a total revenue source of about \$168.7 Million. Except for the \$160,100,000 the rest were omitted.

Speaker Arnold Palacios: But the Governor actually submitted the latest revenue identification –

Representative Yumul: Yes, January 28<sup>th</sup> was the latest and he identified budget resources of about \$171.3 Million minus debt service and his request of revenue transfers to other funds which gave a budget resource balance of \$160.1 Million.

Speaker Arnold Palacios: Let me ask another question – is the worksheet, the expenditure outlay on H. B. NO. 16-51 equal to the \$164,250,000 under line 16?

Representative Yumul: Yes.

Speaker Arnold Palacios: It is equal?

Representative Yumul: Yes.

Speaker Arnold Palacios: And that expenditure outlay does not include the Compact Impact funds?

Representative Yumul: No.

Speaker Arnold Palacios: Okay. The question, therefore, Representative Yumul is that the Governor sent a message giving us a total of local revenue resources available for appropriation of \$160,100.00. Can you substantiate the change to \$164,250,000?

Representative Yumul: More specifically, Mr. Speaker.

Speaker Arnold Palacios: Let me recognize Representative Hofschneider.

Representative Hofschneider: More specifically, are we violating the constitutional provision whereby only the Governor can identify resources for appropriation and his identification is for \$160,100,000 as revised. We are appropriating \$164,250,000 – are we then violating that rule?

Representative Yumul: The answer is no, Mr. Speaker, because we can identify and appropriate what we think can be appropriated and whether he concurs with it or not, obviously if he does not concur he will veto the legislation. If he agrees with it, then he is in compliance with the Planning and Budgeting Act.

Representative Hofschneider: Can we then increase appropriation beyond the identified amount made by the Governor equal to \$160,100,000? Can we then exceed \$160,100,000 is my question, and I refer to the legal counsel.

Speaker Arnold Palacios: Representative Yumul, the Governor identified \$171,368,000 – is that correct?

Representative Yumul: Yes that is correct.

Speaker Arnold Palacios: And then they went on and deducted all the bond payments, all the earmarked accounts of 30% from the Tobacco Control Fund, and deducted from that the \$2 Million earmarked for the solid waste – am I correct?

Representative Yumul: Yes that is correct.

Speaker Arnold Palacios: Okay, and that is why we got to \$160,100,000. In this House Concurrent Resolution, what the Committee on Ways and Means had done and proposed here is to deduct all the bond payments, but suspend the earmark of the Tobacco Control Fund in the amount of \$1.7 Million and \$2 Million for the Solid Waste Management Fund. Is that where this \$4 Million is coming from, including the other suspension of earmarking provision under 202 of the proposed budget bill?

Representative Yumul: Yes that is correct.

Speaker Arnold Palacios: That is why this figure has gone from \$160,100,000 to \$164,250,000?

Representative Yumul: That is correct.

Speaker Arnold Palacios: The question then that Representative Hofschneider is posing to the legal counsel is can the legislature do that?

*House Counsel Ian Catlett: Thank you, Mr. Speaker. I think it is important to point out that the Governor does not identify total appropriation funds. He identifies anticipated revenues. That is the trigger in the NMI Constitution. The \$171 Million is anticipated revenues what whatever source they come whether it is the NMTIT or any other source that is identified. So the ceiling that you are looking at is \$171 Million. And the Speaker is correct, the reason why it went from \$160,100,000 to \$164,250,000 is because those various taxes that were previously earmarked to solid waste and to cigarette tobacco have been suspended so that they are not being allocated now, so that then lapses back into the general fund raising it to \$164 Million which is still below the \$171 Million total identified resources.*

Representative Apatang: The question is – is it legal?

*House Counsel Ian Catlett: Yes, it is legal because the identified resources which the constitutional provision is \$171 Million, so yes.*

Speaker Arnold Palacios: Thank you. I recognize Representative Sablan.

Representative Sablan: Thank you. It is also my understanding that under the Planning and Budgeting Act the concurrent resolution should also include estimated expenditures for the fiscal year. And it seems to me that and I believe that the Ways and Means Committee has already obtained a copy of the Senate committee report on this concurrent resolution where they identified that deficiency and it would seem to be an exercise in futility for us to vote to pass this concurrent resolution when we can reasonably anticipate that the Senate would reject it. Can I suggest that we also include estimated expenditures in this House Concurrent Resolution before we act on it?

Representative Apatang: Mr. Speaker, I am not privy to the Senate resolution objecting to this budget, but –

Representative Sablan: It is a committee report.

Representative Apatang: I have not seen any committee report from the Senate. We have not passed any House Concurrent Resolution here yet.

Representative Hocog: Mr. Speaker, in response to my lovely Representative Sablan, I do not know and I am sorry that the Chair for the fiscal committee of the Senate is here, but for me the Senate has its own way, the House has its own way. So if there is variation, they have the say so at the Senate either to dismantle it, increase it – and I will bet you, Mr. Speaker, that I guarantee that the Senate will increase this budget even more. Therefore, the question now is whether or not we can increase the Governor’s submission or not has been answered. So, if the Senate is not satisfied with \$164,250,000 be it as it may, let them do what they want. But I will not delay, Mr. Speaker, the passage of this budget because we do not have the spending authority from the administration and who would know what would be the spending limit. It could go on and on, Mr. Speaker, and the Governor can again exercise his austerity power to reduce if he knows that he is going to overspend. So I do not see any reason why we should delay after the question has been answered. Let the Senate do what they want. Believe me, Mr. Speaker, and I will say it again – the Senate will increase this identification that we are just about to pass. Thank you.

Representative Sablan: Just to clarify here, the deficiency that has been identified is correct under the Planning and Budgeting Act. We should be identifying estimated expenditures not only resources, and this House Concurrent Resolution only identifies resources and so it is incomplete. The Planning and Budgeting Act applies to both the House and the Senate, which is why I would like raise the issue here.

Representative Hofschneider: Mr. Speaker, the definition provided in P.L. 3-68 and the budget by definition is a spending plan. It does not mean that you are going to spend it, but it is a rule that the spending activity is to be governed by and therefore, for all intents and purposes, if you identify \$164 Million or \$171,368,000 it is in fact an expenditure plan. The onus is on the expenditure authority to spend or not, but the spending limit is being acknowledged by this House Concurrent Resolution and the detailed expenditure, the outlay, is provided in the House bill.

Speaker Arnold Palacios: Thank you for that clarification, Representative Hofschneider. Are we ready for the question.

There was no further discussion and the motion to adopt H. C. R. NO. 16-1, HS1 was carried by voice vote.

Speaker Arnold Palacios: House Concurrent Resolution No. 16-1, House Substitute 1 is hereby adopted by the House. I recognize the Floor Leader.

Floor Leader Camacho: Thank you, Mr. Speaker, I believe we are now under Bill Calendar.

Speaker Arnold Palacios: Yes, and let me first recognize Representative Apatang.

### **BILL CALENDAR**

Representative Apatang: Thank you, Mr. Speaker. I have two bills that I will like to recall from the respective committee for placement on today’s Bill Calendar for First and Final Reading and I have asked the Floor Leader to place that for consideration.



Speaker Arnold Palacios: Is there any objection to that request?

There was no objection from the Floor.

Representative Babauta: Mr. Speaker, I have no objection to the request of Representative Apatang unless it will dwell the members the entire day, then we would probably need a break to look at it before we act on it, and, by the way, the budget package is a little thick, perhaps we can recess for lunch until maybe one o'clock.

Speaker Arnold Palacios: Thank you for that recommendation. What is the consensus – shall we recess for lunch and come back and 1:30 p.m. Representative Apatang?

Representative Apatang: Before we break for lunch, I would like to ask the indulgence of the members to just place the two bills on the Calendar so that we can act on them when we come back. A copy of H. B. NO. 16-33 was passed out during last session and a copy of H. B. NO. 16-27 is being passed out at this time. Thank you.

Vice Speaker Deleon Guerrero: Before we entertain that motion, I want to ask the committee chairs where they stand on these bills. Do they have a committee report? My understanding and I have to go back and look at the House Rule regarding withdrawals whether it should stay in the committee for the 90-day period before we exercise any attempt to withdraw to allow public hearings and public comments.

Floor Leader Camacho: Mr. Speaker, to address the concern of the Vice speaker, that is the general rule that we are following. The floor leader has the authority to recall a bill pursuant to House Rules and we are in the process of discussing whether we should go down that route or not.

Speaker Arnold Palacios: Can we therefore entertain a motion to suspend rules and place those two bills?

Floor Leader Camacho: Mr. Speaker, pursuant to the House Rules the Floor Leader can recall a bill that has been sent to committee. We can exercise that authority. A motion to place on the Calendar H. B. NO. 16-27.

The motion was seconded.

Representative Babauta: Point of clarification, I assume that the motion is to recall since the Speaker has already assigned these bills from the respective committees.

Speaker Arnold Palacios: Okay, I will entertain a motion to recall these two bills from the Committee.

Floor Leader Camacho: Mr. Speaker, let me clarify my motion. Motion to recall and place on the Calendar H. B. NO. 16-27.

Representative Sablan: Mr. Speaker, I object.

Speaker Arnold Palacios: Is there a second?

Several members seconded.

Speaker Arnold Palacios: The motion has been made to recall H. B. NO. 16-27 and seconded. Under discussion I recognize Representative Sablan.

Representative Sablan: Mr. Speaker, these two bills that are being proposed to be placed on the Calendar for today are appropriation bills. Is that correct?

Speaker Arnold Palacios: That is correct.

Representative Sablan: And we have not even passed a budget yet and certainly as Representative Babauta has pointed out, it is certainly going to take us the whole day to get to that. We did not even get to that on Friday and I do not think that we should be entertaining appropriation bills at this ....  
*(End of Tape 1, side B)*

*(Beginning Tape 2, side A)*

The Chair recognized Representative Apatang.

Representative Apatang: I know that we have not passed an appropriation bill but this funding is available for appropriation at this point in time. H. B. NO. 16-33 is actually just suspending the Public Auditor's allocation of 1% from the Commonwealth Utilities Corporation (CUC) and the college (NMC) which is very critical at this time. Both agencies are suffering, so we need to act on these two particular bills.

Speaker Arnold Palacios: The motion Representative Sablan is to place the legislation on the Bill Calendar and we will get to the specific discussion on your objection to passing this type of legislation. It is just to place it.

Representative Sablan: I know, but we could potentially have extended discussion and this has not been reported out by the committee and perhaps we should give the committee the courtesy of reviewing the bill. And if it is in fact an urgent issue then the committee should take note and put out a report so that the rest of us can review this –

Representative Hocog: Point of order.

Speaker Arnold Palacios: Representative Hocog, recognized.

Representative Hocog: I understand the concern of the lovely Representative, but I will share with her when the motion is adopted to place the bills on today's Calendar and I will join my lovely Representative to debate on the issue. We are not going to argue on that, Mr. Speaker, we are just recalling the bill.

Speaker Arnold Palacios: Thank you, Representative Hocog. Representative Hofschneider, recognized.

Representative Hofschneider: It is interesting that the Chairman of the Ways and Means Committee continue to smile. Does he object to the recall?

Speaker Arnold Palacios: I will allow Representative Yumul to answer.

Representative Yumul: I am a happy man, Mr. Speaker.

Speaker Arnold Palacios: The question is, do you object?

Representative Yumul: No, I do not at this time. I would like to hear what the arguments are. You can always take the essence of H. B. NO. 16-27 and add it into the budget bill. It is part of the appropriations anyway, we want to shortchange the Office of the Public Auditor (OPA).

Speaker Arnold Palacios: So you are not objecting.

Representative Yumul: I am not objecting at this time, but I will debate on this legislation aggressively along with Representative Sablan.

Speaker Arnold Palacios: Thank you. We will be voting on the question to recall and place H. B. NO. 16-27 on the Bill Calendar.

There was no further discussion; the motion to recall H. B. NO. 16-27 from the respective committee and place it on the Bill Calendar was carried by voice vote.

Speaker Arnold Palacios: The motion carries. Representative Santos.

Representative Santos: Mr. Speaker, with no objection, I would like go back to Item 12, Reports of Standing Committees.

Floor Leader Camacho: Representative Santos, there is one more bill –

Representative Santos: Oh, sorry.

Floor Leader Camacho: Mr. Speaker, motion to recall and place on the Bill Calendar H. B. NO. 16-33.

The motion was seconded.

Representative Yumul: Mr. Speaker, I do not have a copy of H. B. NO. 16-33. So I would like to ask for a short recess *ya ta li'e naya este i H. B. NO. 16-33*.

Speaker Arnold Palacios: Representative Apatang, what is the title of the bill?

The Chair recognized the clerk, and the clerk read the title: H. B. NO. 16-33: A Bill for an Act to amend 3 CMC § 7831 by adding a new subsection (e) and (f) that shall remove the Commonwealth Utilities Corporation and the Northern Marianas College pay one percent of its annual budget to the Office of the Public Auditor; and for other purposes.

The Chair recognized Representative Quitugua.

Representative Quitugua: Mr. Speaker, this is just to inform the members so if this issue is again raised every member will know. In our House Rules, the Floor Leader is the only one that is authorized to recall bills and resolutions and that motion can not be appealed.

The motion to withdraw H. B. NO. 16-33 from the respective committee and place it on the Bill Calendar carried by voice vote.

Speaker Arnold Palacios: The motion is hereby carried. Mr. Floor Leader, a motion to break for lunch.

Floor Leader Camacho: Mr. Speaker, a motion to recess until 1:30 this afternoon.

The motion was seconded and carried by voice vote.

Speaker Arnold Palacios: The House stands recessed until 1:30 this afternoon.

*The House recessed at 11:54 a.m.*

*RECESS*

*The House reconvened at 1:51 p.m.*

Speaker Arnold Palacios: We back to our session. We move on under the Bill Calendar. Representative Santos, recognized.

Representative Santos: Mr. Speaker, before we go on under the Bill Calendar, and without the objection of the members, can we go back to Reports of Standing Committees please.

Speaker Arnold Palacios: Okay, without objection, we go back to Item 12, Reports of Standing Committees.

## **REPORTS OF STANDING COMMITTEES**

The Chair recognized Representative Santos.

Representative Santos: Mr. Speaker, S. C. R. NO. 16-6 has been passed to all the members and obviously filed with the Clerk, I would like to introduce that and place it on the agenda.

There was no objection from the Floor.

Speaker Arnold Palacios: I recognize Representative Apatang.

Representative Apatang: I have no problem placing this Standing Committee Report for adoption however I would like to find out – because this is supposed to be a joint responsibility – and I was wondering why we were not asked to participate in this meeting. In the last session, we mentioned that we should wait until we get the test result back so that we can confirm the nomination of this person based on that and that was brought up by Representative Dela Cruz. I just wonder why the rush. I know that we need one more member for the Public Utilities Commission (PUC) but we need to make sure that we follow the law to the teeth and that is what it says and we need to do it.

Representative Hocog: Mr. Speaker, Representative Apatang is making a statement and is not against the motion made by Representative Santos. So, I guess we should vote on her motion.

Speaker Arnold Palacios: Actually the motion has not been made yet.

Representative Apatang: Mr. Speaker, I have no objection on placing on the Agenda, I will wait under discussion.

Speaker Arnold Palacios: Mr. Floor Leader, I will entertain a motion to suspend for placement.

Floor Leader Camacho: Mr. Speaker, pursuant to the House Rules we are not suspending any rule, motion for placement.

The motion to place S.C.R. No. 16-6 was seconded.

Speaker Arnold Palacios: Okay.

Representative Yumul: Mr. Speaker, point of clarification.

Speaker Arnold Palacios: State your point.

Representative Yumul: Thank you. Are you then changing your last Friday's notice to the –

*Due to power outage, the Chair declared the House recessed at 1:58 p.m.*

#### *RECESS*

*The House reconvened at 2:52 p.m.*

Speaker Arnold Palacios: We are back to our session. Before we went on recess there was a motion to place S. C. R. NO. 16-6 on the Calendar. Any discussion?

There was no further discussion and the motion was carried by voice vote.

Speaker Arnold Palacios: The motion carries, S. C. R. NO. 16-6 is now on the Agenda.

S. C. R. NO. 16-6: Reporting on the appointment of Kimberly King-Hinds to serve as member of the Public Utilities Commission representing Tinian. *Your Committee on Judiciary and Governmental Operations recommends confirmation of her appointment.*

Floor Leader Camacho: Mr. Speaker, I believe it brings us down to Bill Calendar.

#### **BILL CALENDAR**

Floor Leader Camacho: A motion to suspend Rules to place H. B. NO. 16-51 on the Calendar.

The motion was seconded and carried by voice vote.

Speaker Arnold Palacios: The motion carries. I recognize the Floor Leader.

Floor Leader Camacho: Mr. Speaker, motion to place H. B. NO. 16-51 on the Bill Calendar.

Speaker Arnold Palacios: Is there a second to the motion?

The motion was seconded and carried by voice vote. H. B. NO. 16-51 was placed on the day's Bill Calendar.

Floor Leader Camacho: Mr. Speaker, a motion for passage of H. B. NO. 16-51 on First and Final Reading.

The motion was seconded.

**H. B. NO. 16-51:** A BILL FOR AN ACT TO MAKE APPROPRIATIONS FOR THE OPERATIONS OF THE GOVERNMENT OF THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS, ITS AGENCIES, INSTRUMENTALITIES, AND PROGRAMS, AND TO PROVIDE BUDGET AUTHORITY FOR PUBLIC CORPORATIONS FOR FISCAL YEAR 2008, AND FOR OTHER PURPOSES.

Representative Babauta: Point of clarification, Mr. Speaker.

Speaker Arnold Palacios: State your point.

Representative Babauta: I believe the Floor Leader needs to invoke suspension of Rule IX Sections 9, 10 and 11 so that we may deliberate on the Bill.

Floor Leader Camacho: Mr. Speaker, respectfully, I think we did that. That was the first motion.

Speaker Arnold Palacios: Yes, we suspended the Rules and placed it, so the motion is in order.

Representative Babauta: I thought we suspended the Rules to place it.

Speaker Arnold Palacios: We suspended, we placed it, and so it is on the Calendar.

Representative Babauta: So we can make now make amendments?

Speaker Arnold Palacios: Yes.

Representative Babauta: Okay.

Speaker Arnold Palacios: The motion to pass H. B. NO. 16-51 on First and Final Reading has been seconded. Under discussion on the motion for passage on First and Final Reading, I recognize Representative Hofschneider.

Representative Hofschneider: Mr. Speaker, in the beginning of the month of February, a lot of the members, particularly the Chairman of Ways and Means came seeking for advise, and we spent almost three weeks going over how to approach the budget. During that period, we were also paying attention and attending some very critical advises and meetings with CUC then with Former Presiding Judge Manibusan and Executive Director Anthony Guerrero. I think it goes without the

need to go into specifics. In the 15<sup>th</sup> Legislature, Mr. Speaker, you and members of the 15<sup>th</sup> Legislature introduced a House Bill that became Public Law 15-94. That legislation became law by way of overriding the current Governor's veto emplacing that as a mandate to effectively reduce what CUC is supposed to comply with under the creation of CUC, which is Public Law 4-47, of full cost recovery. Absence of identified revenues, your bill that became law, Mr. Speaker, poses a tremendous threat as we speak to CUC. In spite of that law, P.L. 15-94, today the General Fund is subsidizing the ability of CUC every month for delivery of fuel. Twenty-five cents a kilowatt hour is extremely high for the income ability and the economic power of every individual, family, and businesses alike. On record, there is close to 200 families and individuals that have gone on without power for over 16 to 18 months for numerous reasons, but basically they cannot afford to pay for power. The Governor recently referred to the legislature a bill to suspend or repeal that law, specifically P.L. 15-94 to prevent an impending catastrophic occurrence with CUC. Today, coincidentally, is the first day of P.L. 15-94 becoming effective. To make it short, Mr. Speaker, even without considering P.L. 15-94, the intent is novel; CUC today is strapped for cash on a monthly basis. They are only able to collect six million dollars or less at times. The fuel delivery every month is a little over six million dollars. That necessitates the Governor to dip into the General Fund by way of advancing government utilities. In the midst of discussing how to approach both the your bill that became law by virtue of overriding the Governor's veto, there is a provision in the initial draft of the proposed budget that contemplates cutting salaries across the board, including ourselves, and applying a fair percentage be it three percent and the suspension of the holiday pay that over the years the Governor has been asking for. If you add those two, it becomes very close to what CUC gave us that if we do not repeal that P.L. 15-94 then we must come up with \$11.9 Million to defray the cost of that particular law up to September 30. Even in the absence of P.L. 15-94 we have allow the Governor reprogramming authority to look elsewhere to supplement the monthly delivery of fuel to CUC. One thing that we should remind ourselves is what happened last Monday, and that is gasoline went up another ten cents at the pump stations. So we can honesty expect a corresponding increase in utility rates. But because P.L. 15-94 present today and today is the first day, this will aggravate the monthly ability for CUC to pay for fuel every time the ship comes into port. It is interesting that H. B. NO. 16-51 is absent of that proposed language, yet we gave ourselves here in the Legislature an increase over what the Governor has submitted; yet we cut the Commonwealth Health Center (CHC) in spite of Representative Deleon Guerrero's remark last Friday about the lack of professionalism of physicians and as I have stated we should look closely at what is the root cause of those frustrations. Over the weekend I ran into a supervisor at the hospital and she shared something very glaring. In the pediatrics section, they are at the brink of telling mothers to bring their own diapers, because the hospital could not afford to buy diapers for inpatients. Yet, we did not increase the budget for CHC. The difference between the Governor's submission for the Legislature and the proposed budget before us, H. B. NO. 16-51 is \$900,000. Just on the House side there is a lot of moving from Paul to give to Peter: Veterans Affairs got \$20,000 from the SAA operations, anticipation of funding \$100,000 from Youth Services, DYS, replenishing it by the anticipation of Compact Impact funding appropriately being applied to DYS. Here is a quandary, unless the Chairman of Ways and Means has factual document specifically asking the Legislature to increase 21 FTEs to the Department of Public Safety (DPS) and the million dollars appropriation that came with it, one would assume that raising the salaries of those police officers that were frozen for over ten years would be more prudent than increasing the FTEs and a million dollars over it. Wouldn't you agree? I have no qualms about the \$400,000 to be replenished by the anticipation that the Governor would heed to the application of the Compact Impact at the Department of Corrections. Sanitation, taking again from Peter to Paul, \$50,000 from the DPH Secretary's account, dental services \$200,000 from the Secretary's operations and here is something that does not make sense. Zero-funded Medical Referral. Let me remind you, under the Planning and Budgeting Act, zero

funded programs cannot be reprogrammed into. So when this proposed budget becomes law, the Governor has no authority to reprogram funds into a zero-funded item. That is clear. That is the rule. Yet, \$120,000 for four FTEs was requested for a zero-funded operation under the Medical Referral Program. Now, think about the logic. If the Medical Referral Program is zero-funded, why are you giving it four FTEs and \$120,000? For the Office of Transitional Living, again from Peter to Paul, \$15,000 is from the Secretary's operations. If the Secretary is so inclined to be giving away, why is the professional services \$1.182 Million under the Secretary of Public Health. Where is the logic for the Medical Referral Program? Something is not following logic. When a person needs to be considered and approved for medical referral needs, it is governed by a committee of peers of medical physicians and not the Secretary making that decision. Mr. Speaker, I ask members to allot me I am exceeding my five minutes, if one cares to. I am almost done.

Speaker Arnold Palacios: Is there any objection?

Representative Benavente: Objection, Mr. Speaker.

Speaker Arnold Palacios: Recognized.

Representative Benavente: First of all, the Rules does not allow any of us to yield our minutes to members. Second of all, Representative Hofschneider has been going on now for almost fifteen minutes and the Rule allows for five. So, if he has three or four more minutes, but not the rest of the afternoon and that is all I ask.

Speaker Arnold Palacios: Okay, I will allow him to finish. Representative Hofschneider, continue.

Representative Hofschneider: Thank you. Again, Mr. Speaker, a lot of the applications of the proposed budget does not make sense given the fact that our basic priority in consideration of government and public services – education, public safety, and public health – if we fulfill that the rest can be attended to. But when you look at the proposed budget submitted by the Governor you will see PSS under-funded in personnel cost. In Fiscal Year 2006 the actual cost for personnel is \$34.9 Million and this is coming from the PSS accounting office. The proposed House budget is \$27 Million. So, I hope that we realize that passing this \$27 Million we are telling PSS to lay off people to conform to \$27 Million. The actual expenditure for FY '07 is \$33.9 Million.

Representative Benavente: Point of clarification, Mr. Speaker.

Speaker Arnold Palacios: State your point.

Representative Benavente: Someone can point the order to me if I am out of order, but the clarification that I want to point out is that I understand from the Chairman of Ways and Means there are several amendments that are to be made to the bill including some of the issues that Representative Hofschneider has brought up. So, I would like for the members to allow the Chairman to make those amendments and then we can discuss those further. Thank you.

Speaker Arnold Palacios: That is a point and if we do have those amendments to address some of those concerns, let us –

Representative Hofschneider: Then take heed.



Speaker Arnold Palacios: That will be done.

Representative Hofschneider: I am finishing up, Mr. Speaker. Honestly, I can go on an on. Representative Benavente is right. He wants to amend it and see if we can accommodate those concerns, but in the mean time if the Chairman himself is introducing an amendment then the budget is not ready. This is appalling when the most glaring problem confronting the public is the electrical power services and we took out the provision to cut personnel costs three percent across the board as proposed in the draft. Now we better have a very good reason why we are not cutting three percent across the board because the alternative, I would like to see that a language gives the authority to the Governor, thereby that the legislature extends that authority to him to cut across the board ten percent of all salaries if and when CUC is about to go belly-up because I certainly do not want to be sitting here being responsible for (End of Tape 2, side A) Public Law 15-94 in place. The Governor submitted a repealer. Nobody has ever introduced it. Therefore, if we are not willing to repeal it, or suspend it we find the money. If we are not willing to find the money, God help us all. Thank you.

Speaker Arnold Palacios: Thank you, Representative Hofschneider. Representative Yumul.

Representative Yumul: Mr. Speaker, the concerns that Representative Hofschneider is bringing up are very valid concerns obviously. It has merit. However, when the Committee first started the work on the draft legislation for the budget, we went back to the Governor's submission for FY '08 budget and all of these question that he brought up lend itself to the Governor's submission, in particular the Department of Public Health. The Governor was the one who chose not to fund the Medical Referral Program, but yet had moved operations and utilities up to the Secretary. For the Department of Public Safety, the additional FTEs did come from the Department as a way to anticipate other retirees as they move out of DPS to allow for new hiring. At this moment, I am having the Sergeant-at-Arms photocopy and make available to every member the summary of this appropriation with a comparative between the Governor's submission and that of the House so that we can plainly see the differences and then come up with a good debate and whether or not to make changes again. As we all know, the Committee of Ways and Means is comprised of the chairs of the House's respective committees and I lean on every committee chair to assist in the budget process. Granted we are only a month into the 16<sup>th</sup> Legislature that we should allow some level of understanding that it is very difficult to work with a budget when the Secretary of the Department of Finance and the Special Assistant for Management and Budget are tactfully delaying some submissions to the Committee on requested documents. One in particular is the first quarter expenditure so that we can see for ourselves what the first quarter of FY '08 expenditures were so that we can extrapolate and budget for the rest of the fiscal year. That has yet to materialize, but when I asked for the Legislative Bureau's expenditure, I get it in two days. So, the budget is a very complex and cumbersome bill, but overall I applaud the members of the Committee on Ways and Means for their input, and that of our fiscal analyst and the experts that we have brought on to help work this budget. So at this point, if there is any serious concern that the Committee was not made aware of I would like to hear from the members. Let us go ahead make the appropriate corrections if it needs to be done so that we can send this bill up to the Senate so that they also can do their due diligence and work on it and we can come back with a final product. Thank you.

Representative Hocog: Mr. Speaker, can we go into a short recess.

Speaker Arnold Palacios: Let me recognize Representative Apatang before we do that. Representative Apatang, recognized.

Representative Apatang: Thank you, Mr. Speaker. You know we have been deliberating on this budget for which and which and which. We have been calling most of the departments who have been willing to come up here and participate on this budget process. Just going through the budget is a lot of headache. It is not an easy task. There are instance where we did move some money from one location to the other to support other areas that are funded at a very minimal. For instance, at the dental clinic there is a dentist that is asking for help because they do not have any supplies to treat the kids, and most of the clients are school children. They come to the dental clinic at the Department of Public Health because that is the only clinic they can afford to go to. So that is why it is important to fund the dental clinic. They need money for operations so they can buy supplies. They do not even have supplies for refilling of teeth and all that. All they can do is pullout your teeth when you go there. These are some of the reasons that we moved some money around so we can accommodate everybody. If we put all the funding on one expenditure authority, these people will never get anything and we know it for a fact. That is why it is important that we all work together on this so everybody can get a fair share of this budget. It is very limited. Everybody wants to get the piece of the pie, but it is hard. It is hard to satisfy everybody. Right now, the Saipan Mayor's Office staff have been sitting down since this morning because they are going to end up losing about 42 people after we pass this budget, but where can we find the money to accommodate them. There is nowhere in this budget that we can move \$1.4 Million to accommodate the 42 personnel. These are some of the reasons why it is hard and I wish that everybody will come in and sit down to these departments when they came in to air their concerns. We tried to put our heads together in this budget. And I know it is creating a nightmare for the chairman also because every time somebody comes here during the day, they will check him and ask him to move money, or that they need money. It is very hard to decide where to put the money or what departments. The \$20,000 for the Veterans Affairs Office – that office has been neglected. We have the Veterans Cemetery created and there is no maintenance at all. If you go there to bury a soldier, you will see the grass up here (gesturing waist high) already. There is no maintenance at all because they do not have any funding to maintain the area. That is some of the reasons why we moved some money around because these people are asking for help. Ruth Coleman cannot go there and cut the grass herself. So we have to be realistic on some of these. That is why I asked the chairman to please consider the Veterans Affairs Office so that they have some money to maintain the cemetery. We create something, we need to supply it, fund it so that we can maintain it. Thank you, Mr. Speaker.

Speaker Arnold Palacios: I now recognize Representative Benavente.

Representative Benavente: Thank you, Mr. Speaker, if we are not going to go on yet and continue with our session ...

Speaker Arnold Palacios: I will allow you.

Representative Benavente: Thank you very much. You know I am a member of the Committee of Ways and Means and I am also a member of your leadership. And both the Committee and your leadership struggled hard to make the decision of putting a budget together knowing that there is six months left in the fiscal year, knowing that there is not enough money to satisfy all of the agencies. We struggled hard. We thought about not passing a budget and washing our hands basically allowing the Governor to continue under the continuing resolution and let him make the tough decisions, but we decided against it. Both the Committee and your leadership felt that with two initiatives being introduced in the House already in requiring an annual budget that there is that obligation, and the expectation of our people that in order to get us out of this financial mess, we need to have a budget and so we felt obligated to work hard like we did, like the chairman did and

your leadership did in coming up with a budget. By all means this is not a satisfactory budget and I made that position of mine known both in the leadership and in your committee. But we need to pass a budget. I guess this is why we are here to discuss the policy call of which program, which agency, which department is more important to each one of us. We find ourselves with this argument. This is not the first time that we have done this and this is not the last time that we will do this. We will continue to argue based on what we feel is more of a priority. There are some concerns that Representative Hofschneider has raised and here is the opportunity, this session, put your amendments, offer your amendments, and let us fix it. Let us come up with what I would call the best that we can do, because we certainly are not going to be able to satisfy every agency. I know that for a fact. We have been struggling for the past few weeks trying to do that, but we can not. So, what we need to do is first pass and make sure we live within our means, as the constitution requires that we pass a balanced budget which means that we have to live within the projection that the Governor has provided. Second, our obligation to pass a budget knowing that the other part of the legislature, the Senate, will be waiting for it and the Administration to make the final decision in whether signing or vetoing the budget that we will have to start. Mr. Speaker, I close by saying if you do not agree with something, come up with the amendment, but let us pass this budget. Thank you.

Representative Hofschneider: Clarification, Mr. Speaker.

Speaker Arnold Palacios: State your point.

Representative Hofschneider: I think I did not make myself clear. I had the amendment, you guys took it out, and I demand an explanation why you guys took it out. Mr. Speaker, maybe the Chairman can explain to me why was the three percent cut across the board that was in the draft form taken out. That came from us as an amendment to pay for P.L. 16-94, subsidize every family and individual out there with the business to sustain a reasonable rate. That was taken out. I hear that we are supposed to fix this and offer an amendment, which I did. So at the very least, I am owed an explanation.

Speaker Arnold Palacios: Representative Yumul.

Representative Yumul: Mr. Speaker, I yield to Representative Benavente.

Representative Benavente: To respond to that, Mr. Speaker, because I was the one who had asked that that provision be removed.

Speaker Arnold Palacios: Please go ahead and respond.

Representative Benavente: Thank you. When I saw that amendment, I just felt as I do with any form of subsidy to the utilities and that it was unfair. It is not fair to charge three percent from the government employees to pay for everybody's utility bill. And I am talking about everybody including those who can afford their power utilities because that is what it intended to do – to take away three percent of government employees' salaries to be able to pay towards a utility subsidy which really is a subsidy to the entire community. I just did not believe it was fair when we have individuals who are making the sacrifices, not turning on their air conditioners or not having a water heater in order to reduce their utility cost. And then there are those who have five air conditioners in their homes who can afford their utility bills. How can we allow ourselves to charge government employees and make them pay for those utilities? Thank you.

Representative Hofschneider: Point of correction, Mr. Speaker, that subsidy was to defray the cost of P.L. 15-94 and I know that you are the author. That is not the intent of what Representative Benavente was trying to allude. Your seventeen cents did not cut across the board, so the \$11.9 Million was the result given to us by the comptroller at CUC and the Executive Director to defray the offsetting of that particular law.

Speaker Arnold Palacios: I recognize Representative Reyes.

Representative Reyes: Thank you, Mr. Speaker. I myself am part of the Ways and Means Committee. I have written a letter to CUC. We are all concerned about this, because during one of the testimonies of the CUC staff, they had mentioned that the collection they make on power also subsidizes water and sewer services. I have yet to receive a reply to that and I do not think it is fair for every one of us to be paying a fuel surcharge as paying for sewer and water services in my opinion. Mr. Speaker, the problem with CUC needs to be scrutinized further. I understand Representative Hofschneider that the bottom line here that and maybe you guys may know increasing the rates, is it for the better, or is it for the worst. Is it for the good of CUC or is it for the good of the consumers? My question, Mr. Speaker, is this – is it working? Is CUC collecting? And I understand earlier that there have been about 200 people that have had their power disconnected and I wonder how many more is pending and how many more will be disconnected in the future. How many abuses are out there? The question is are they making the money or is it creating a chaos because they are not getting the income as a result is creating a shortfall to pay the cost of the fuel. I asked the chairperson of the utilities committee to perhaps prioritize this issue and get these guys to come in and disclose the information. We all want to help each other, but the bottom line is if CUC troubled financially because of mismanagement then let them pay for it. I do not see why Tom, Dick, and Harry have to cut three percent of their paycheck making \$10,000 to pay for the mistakes of someone that is up there that is making so much money. We have to look at this very, very carefully because whatever we do is going to hurt us one way or the other, but are we really to be accountable, the entire public or so called government employees to be sacrificed because of negligence or mismanagement of a handful that is managing the utilities corporation. That is what concerns me a lot. Thank you.

Speaker Arnold Palacios: I recognize Representative Babauta.

Representative Babauta: Is everybody finished with their amendments, Mr. Speaker?

Speaker Arnold Palacios: There is none offered.

Representative Babauta: I will yield to the chairman to offer his amendment first.

Speaker Arnold Palacios: Okay. Representative Yumul, recognized.

Representative Yumul: Mr. Speaker, I have a written floor amendment.

Speaker Arnold Palacios: Before you offer your amendment let me ask you in the process of formulating the budget I am aware that you have asked numerous agencies to appear before the committee. One of which is the Department of Public Health. Representative Hofschneider made a very clear point and we all agree that PSS, DPH, and DPS are the essential public services that we

need to fund. In the case of DPH, is the proposed worksheet that you have in this proposed legislation consistent with what the Secretary of the Department of Public Health agreed to.

Representative Yumul: Yes, Mr. Speaker. When the Secretary of the Department of Public Health came in to meet with the Chairman of the Committee on Health, Education, and Welfare, the Chairman asked me to sit in, in which I did, and I asked the secretary directly and bluntly if he is satisfied with the Governor’s submission and he said that he was. I then asked if he had the first two quarters’ disbursements to DPH and he said he did, he submitted it to the committee, and that they are only received \$16 Million for the first two quarters which would translate to \$32 Million for the end of this fiscal year if we were to continue with the continuing resolution. So I wrote on a piece of paper the budget proposal which is reflected in H. B. NO. 16-51 and I handed it to the Secretary of DPH, he read it, and he signaled me that he is in agreement with it.

Speaker Arnold Palacios: What question did you pose on the note?

Representative Yumul: Whether he would be satisfied with \$37,149,852 and then the additional funds that would have to come from Compact Impact funds and he said that he was satisfied with that.

Speaker Arnold Palacios: Okay. Representative Hofschneider?

Representative Hofschneider: What about the \$7 million we are in arrears with Medicaid?

Representative Yumul: We did not discuss that. I did not ask that question.

Speaker Arnold Palacios: Mr. Speaker, Representative Yumul, you said you have some amendments.

Representative Yumul: Yes, Mr. Speaker. It is a written floor amendment based on a couple of recommendations from the members. I am treating it as one amendment and it proposes to amend page 23, page 50, and page 50 line 23. It has been passed out to the members.

Representative Babauta: Is that a motion?

Representative Yumul: I so moved.

The motion was seconded.

*The amendment offered by Representative Yumul reads:*

On page 23, beginning at line 4 adjusting the FTE allocations:

(1) Office of the Secretary	9
(2) Economic and Development Office	6
(3) Central Statistics Division	8
(4) Enforcement and Compliance Office	10
(5) Alcohol Beverage and Tobacco Control Program	<u>6</u>
	39

On page 3 of Appendix “A” shall be adjusted accordingly.

Page 50, line 19 to read:

“this Act exceed ~~the budget ceiling established by this act~~ available funding during the fiscal year.”

Page 50, line 23 to insert after “Fund:” :The Board of Trustees of the N.M.I. Retirement Fund is authorized to draw upon the Fund’s investment earnings and other assets to meet any cash shortfall during the fiscal year.”

Speaker Arnold Palacios: A floor amendment has been offered by Representative Yumul to H. B. NO. 16-51. I believe everyone has a copy of the floor amendment. Is there a second?

Representative Babauta seconded the motion.

Speaker Arnold Palacios: Discussion on the amendment, Representative Babauta.

Representative Babauta: Thank you. Mr. Speaker, I just want to ask the Chairman and mover of the amendment what would be the corresponding dollar impact on these additional FTEs.

Representative Yumul: I defer to Representative Reyes on that.

Representative Reyes: There is no change on the amount that is broken down in the budget. There is no change on the dollar amount, just the FTEs. It was 39 and the proposal is for 31.

Representative Babauta: The proposal is for 31. The amendment increases it by eight.

Representative Reyes: If you look at the FY 2007 budget, FTEs was 39 originally. The idea here is I am working with the Department of Commerce right now and it is pathetic because here we are struggling for cash, but we do not even have enforcement officers there. We need to beef up enforcement. I am not asking for money at this point in time. I am working on identifying resources, but I would like to have the number of FTEs restored to its previous state.

Representative Babauta: So this is what they have?

Representative Reyes: That is what they have for FY 2007.

Representative Yumul: Point of clarification on that, Mr. Speaker. Under Public Law 15-28, as amended by Public Law 15-71, that is the actual ceiling.

Representative Babauta: So it is just keeping it.

Representative Yumul: Yes, keeping the FTEs and shifting a few personnel to enforcement section.

Speaker Arnold Palacios: For further discussion, I recognize Representative Quitugua.

Representative Quitugua: Mr. Speaker, I would like to offer an oral amendment.

Speaker Arnold Palacios: We are under discussion on the amendment offered by Representative Yumul.

Representative Quitugua: My apology, Mr. Speaker.

Speaker Arnold Palacios: Any further discussion.

Representative Sablan: Quick question, Mr. Speaker.

Speaker Arnold Palacios: Recognized.

Representative Sablan: Thank you, Mr. Speaker. With regards to the 39 FTEs, are they presently filled?

Representative Reyes: No.

Representative Sablan: No they are not. So there are currently 31 people there, and there were eight vacant FTEs and they just want to retain those FTEs?

Representative Reyes: Yes. I do not think all the 39 FTEs are filled. I am just trying to set it at 39 as in the previous years. Again, the idea here is to beef up enforcement. I have scrutinized the department and I tell you, that is why we are partly having problems financially because we do not have any enforcement. Thank you.

There was no further discussion and the amendment offered by Representative Yumul to H. B. NO. 16-51 was carried by voice vote.

Speaker Arnold Palacios: Representative Apatang, recognized.

Representative Apatang: Mr. Speaker, I would like to offer an oral floor amendment on page 43, section 901, line 28. Change Public School System Personnel to read: “\$34,489,190” instead of “\$27,768,671” and under Operations “\$2,029,886” instead of “\$8,750,405”. Thank you.

Representative Yumul: Subsidiary motion, Mr. Speaker.

Speaker Arnold Palacios: We need a second.

The motion was seconded.

Representative Yumul: Now, a subsidiary motion, Mr. Speaker, to also amend Appendix A to reflect the changes.

Speaker Arnold Palacios: Is there a second to that subsidiary motion?

The subsidiary motion was seconded.

Representative Salas: Mr. Speaker, what is the total then?

Representative Yumul: It equals the same.

Representative Salas: So you are just transferring the money? Okay.

Speaker Arnold Palacios: Discussion.

Representative Babauta: What is the rationale, Mr. Speaker, on the increase? Do we have an increase on FTEs?

Representative Apatang: There is no increase in FTEs, it is just a matter of actual cost. Right now if we leave it as it is, we are losing \$5,000,000 and they will have to layoff some people or shutdown the schools.

Representative Babauta: Mr. Speaker, may I ask the chairman what is the original submission or the latest submission of our Public School System.

Representative Yumul: Thirty four million and some change – the documentation that was provided by PSS and that of Representative Apatang’s amendment are one in the same.

Representative Babauta: So are we still looking for an additional \$2,000,000?

Speaker Arnold Palacios: Let me clarify – basically what is being done is shifting funds from –

Representative Babauta: Okay, I understand now.

Speaker Arnold Palacios: The final bottom line for PSS does not change.

Representative Babauta: But the original request was for \$38 Million. Is that correct, Representative Yumul?

Representative Yumul: Yes, but this funding is coming from the general fund revenue. PSS will collect the difference from the Compact Impact funds to the tune of \$2,000,000.

Representative Babauta: In anticipation.

Representative Yumul: In anticipation.

Vice Speaker Deleon Guerrero: I was going to ask that question actually. Is the \$2,000,000 from the Compact Impact funding going towards PSS for all others or for personnel or just give it to PSS and let them decide? And if that is the case, if I am not mistaken the actual cost for utilities is the realm of \$3,000,000 to \$3.5 Million. Although I understand the importance curing of personnel cost, but also that they have power under the schools. The one thing that I have raised with PSS also is the No Child Left Behind law, and why that all certified teachers meet HQT, and those that did not meet the HQT or Praxis I and II were cut. Some teachers were cut from forty some thousand down to twenty-eight thousand dollars. So for the past couple of years, there has been that amount that this cut that was – I do not want to use the word windfall – but there was that funding. The personnel funding that was allocated to personnel, but personnel are no longer paid the same amount that it was budgeted for. And so, I wonder if the chairman looked into that issue. Perhaps from reading the newspaper, we understand that HQT teachers are more and more passing it, but does the current personnel budget reflect the current personnel cost is that question that should be posed. Again, I am not going to challenge because I support the amendment, I just think that we should be careful. As you mentioned, the *chirigami*, all the schools will be shortchanged. All I am saying is we should be careful. Thank you.

Representative Hocog: Mr. Speaker, to clarify, if I may.



Speaker Arnold Palacios: Recognized, Representative Hocog.

Representative Hocog: Mr. Speaker, that is a very serious concern, but in answer to the Vice Speaker's question regarding the \$2,000,000 from Compact Impact funding as to whether it will supplement the other cost, I would probably say it is a rampant allocation of the Compact Impact funds.

Speaker Arnold Palacios: What was that?

Representative Hocog: A rampant allocation.

Speaker Arnold Palacios: Oh. Let me ask a question to the mover of the amendment – Representative Apatang, is the revision that you are proposing in consultation with the board members of PSS?

Representative Apatang: Yes, Mr. Speaker. There are two board members sitting in the gallery, and they are in favor of this amendment.

Speaker Arnold Palacios: Is this something that was requested from PSS?

Representative Apatang: Yes.

Speaker Arnold Palacios: Thank you. I now recognized Representative Sablan.

Representative Sablan: If I could just maybe hear from the chairman or from the mover of the amendment what will be the impact on operations from shifting these funds from personnel. Did we get that information from the two board members who are here?

Speaker Arnold Palacios: Representative Quitugua, would you like to respond to that?

Representative Quitugua: Thank you, Mr. Speaker. I have a thick document in front of me that was submitted by the Public School System to the Chairman of the Health, Education and Welfare Committee dated February 7, 2008, and they itemized their budget requests. Under the all others category, PSS is indicating that their utility cost is \$3.240 Million and the they are asking for \$1.535 for school operations, \$200,000 for fuel and bus repairs, \$678,000 for all others. This excludes personnel. Under the all others category, a total of \$5.653 Million.

Representative Hofschneider: Mr. Speaker, just briefly, that is why when we were considering the House Concurrent Resolution, for all intents and purposes I think we should acknowledge the compact impact. Do not put figures, but the rule should be forcibly applied to PSS and just follow the grant conditions and the distributions of the Compact Impact funding. This is the reason why I raised the issue when we were discussing the House Concurrent Resolution because we are anticipating that the Governor would subscribe to our idea that PSS is short now by \$3.3 Million on all others and that he should listen to the assumption made by the legislature under this proposed budget that \$2,000,000 should go and defray the additional shortfall created by this budget. It does not work that way. If we govern it through language in the administrative provision or in the concurrent resolution that the Compact Impact funding should forcibly by law under this act be applied according to the distribution stipulated in the grant conditions, we are not infringing, we are

just memorializing just as Representative Hocog said earlier. Memorialize it so that no one be lacking the assumption that the application of \$2,000,000 to PSS was never considered in the budget. As it is now, there is a glaring \$3.3 shortfall on all others for PSS.

Speaker Arnold Palacios: Representative Yumul, is this what Section 1204 on page 50 does?

Representative Yumul: In fact, Mr. Speaker, if you were to look at page 1 starting on line 8, it is memorialized there and also on page 50 as you mentioned. So we did memorialize it on two pages of the legislation itself. I did bring up a comment when we were debating on the House Concurrent Resolution whether we add it in there, but I did not get the support.

Speaker Arnold Palacios: So Section 1204 does recognize that?

Representative Yumul: It does recognize it and it is also on page 1, lines 8 thru 14 – a whole paragraph.

Speaker Arnold Palacios: Okay. Representative Salas, you have been raising your hand. You are recognized.

Representative Salas: Mr. Speaker, I just want to find out from the mover of the amendment, he is asking for \$34,489,190 for personnel and total expenditure for last year FY 2007 was at \$32,300,000. This represents about 1,111 personnel and it is anticipated that there will be a reduction of 142 personnel but yet the personnel cost is going up. So, I would like to find out the difference in there. Perhaps that \$2,000,000 can go to operations.

Representative Apatang: I am not sure how many teachers are getting out, but this is what the board asked that we provided them. Some of the board members are fairly new and they need to protect their personnel at this point in time otherwise there will be lack of funding and they will probably have to shutdown the schools.

Vice Speaker Deleon Guerrero: Perhaps the reprogramming into personnel would be I guess better in that the Planning and Budgeting Act allows for reprogramming from personnel to all others if need be, but it does not allow for the opposite. So, it gives them more flexibility to reprogram I believe 10% to all others if it is needed rather than the other way around.

Representative Reyes: Mr. Speaker, I recall also meeting with the Public School System. I think one of the question was the rate of turnovers and why and that contributed in some parts because of wages. I believe having the confidence with the members of the board and the commissioner, perhaps the intention here is good. It is costly to repatriate people anyhow, so I guess that is the intent.

Representative Sablan: Mr. Speaker, I still have one more question. So with the funding that is left for operations, Representative Apatang, and even with the funding that would be infused into PSS from Compact Impact funds assuming that the Governor honors that grant agreement, they will still have a shortfall from what they were originally anticipating. Is that correct?

Representative Apatang: Under operations?

Representative Sablan: Yes, Under operations.

Representative Apatang: Just like what Representative Guerrero said, if they have a shortfall and they have enough funding out of personnel, they can always reprogram.

Representative Sablan: But if they do not have enough for personnel, or if they are all tapped out and they are paying everybody that is on board right now and they would not be able to reprogram to personnel, so they would have a shortfall of approximately a million to cover let us say utilities or toilet paper or other supplies... so it is still not enough.

Representative Apatang: No.

Representative Sablan: Could we rectify that?

Speaker Arnold Palacios: I am going to be kind to Representative Quitugua and ask him to speak for the last time.

Representative Quitugua: Thank you, Mr. Speaker. Mr. Speaker, since funding is so tight at this time, I would like the two board members while they are here to look at their IDC account and probably those employees that were once under IDC account and transferred to the local account can be reverted back to that account so that it will free some of the local funds to be reprogrammed for operations. Thank you, Mr. Speaker.

There being no further discussion, subsidiary motion offered by Representative Yumul was carried by voice vote.

The motion to adopt the oral floor amendment offered by Representative Apatang to H. B. NO. 16-51, HD1 was carried by voice vote.

Speaker Arnold Palacios: The motion carries. Representative Babauta, recognized.

Representative Babauta: Thank you, Mr. Speaker. Earlier, Representative Hofschneider raised a very valid concern with respect to the Department of Public Health, in particular to the Medical Referral Program. I now wish to offer an oral floor amendment on page 32, line 15 to include a new subsection (e) that would read: “(e) Notwithstanding the provisions of Public Law 15-54, the non-personnel operations in excess of \$1,000,000 shall be paid for from the Secretary’s non-personnel funds in § 591.” The current subsection “(e)” is re-lettered as “(f)”. Mr. Speaker, P.L. 15-54 is the criminalization of funding a line item that is zero-funded.

The motion to amend as offered by Representative Babauta H. B. NO. 16-51, HD2 on page 32 line 16 to insert a new subsection (e) under Section 593 was seconded.

Speaker Arnold Palacios: The motion has been seconded. Under discussion, I recognize Representative Hofschneider.

Representative Hofschneider: Mr. Speaker, this is a policy change and I understand that, but we had an incident about 12 years ago on the same policy and now we are reverting back. I am raising this issue why is the Secretary going to have that sole discretion on expenditure for the Medical Referral Program when he has always had it. The line item for Medical Referral is budgeted separately and not under his discretionary fund. It makes it very puzzling that we are going back in history.

Vice Speaker Deleon Guerrero: Mr. Speaker, Representative Hofschneider raised a good point just with respect to the Medical Referral Program, but there are other areas in this budget where all others have been zeroed-out. I was going to suggest allowing the flexibility to being able to reprogram funds into those accounts. The Office of Management and Budget (OMB) is zero-budgeted under all others and many other programs. I was going to suggest if we can allow for a minimal amount to be put in there and not zeroed-out so that the flexibility is there to be able to reprogram into that account if need be --\$1.00.

Representative Hofschneider: I salute you for that explanation because we know that zero-funded accounts can not be reprogrammed into and now P.L. 15-54 poses a criminal penalty on that activity. The point I am raising is not necessarily putting a dollar, that would suffice, but the issue is on the policy where the referral program is moving in the wrong direction again. This is politicizing the Medical Referral Program. Since January to today, there are more than seven individuals that have been approved by the Medical Referral Committee and nothing has been done to facilitate their departure to the referred centers of choice in spite of that control of the funds. So if we allow this, then we are consenting to something more disturbing in terms of the policy of the Commonwealth when it comes to referral of patients.

Speaker Arnold Palacios: Representative Hocog, recognized.

Representative Hocog: Representative Hofschneider aired my concern.

Vice Speaker Deleon Guerrero: Mr. Speaker, if there is no objection, I thought the chairman may want to offer an oral amendment with regards to those agencies that are zero-budgeted for all others. I hope we can address that simple recommendation.

Speaker Arnold Palacios: Other than the medical referral issue, Representative Yumul, are these zero-funding non-personnel costs the product of the proposal submitted by the Administration.

Representative Yumul: Yes it is.

Speaker Arnold Palacios: So they do not believe that some of these offices are in need of non-personnel budgets?

Representative Yumul: That is correct. Again, Mr. Speaker, this is the submission from the Governor's office. The Governor's affixed his signature to this budget submission, so if we are to now question his motives perhaps we should call him in. But, I did ask the Secretary of the Department of Public Health if he was in agreement with the Governor's submission of the budget and he said, plainly speaking, yes he is.

Speaker Arnold Palacios: Thank you. I recognize Representative Hofschneider.

Representative Hofschneider: I would be very careful with that statement that the chairman made, because it is not necessarily so. If you look at the discretionary account of the Governor and the Lieutenant Governor, that is totally different and a total departure from the submission made by the Governor. Where was that discretionary account buried – the Secretary of the Department of Finance. But be very careful in inviting yourself an open door.

Speaker Arnold Palacios: You mean the discretionary fund was not –

Representative Hofschneider: It was not budgeted under the Governor’s submission.

Speaker Arnold Palacios: Are you ready on the amendment offered by Representative Babauta? Is everybody clear on the amendment offered.

Representative Hocog: I have not seen on the amendment, Mr. Speaker.

Speaker Arnold Palacios: Representative Babauta, can you please repeat for clarification.

Representative Babauta: Thank you. My amendment is to add a new subsection (e) on page 32.

Representative Hocog: Privilege, Mr. Speaker, I move for a short recess. It is imperative, Mr. Speaker, that I see the amendment.

Representative Salas: I second that, Mr. Speaker.

Speaker Arnold Palacios: Short recess.

*The House recessed at 4:09 p.m.*

*RECESS*

*The House reconvened at 4:18 p.m.*

Speaker Arnold Palacios: We are back to our session. Before we recessed, we were discussing the oral floor amendment offered by Representative Babauta.

Representative Babauta: Mr. Speaker, so that that the record of the House is clarified, I withdraw my original motion in making an oral amendment and therefore wish to offer now a written floor amendment that is self-explanatory. I so move.

The motion was seconded.

The written floor amendment on Section 593 of H. B. NO. 16-51, HD2 reads:

On page 32, line 15 to include A new subsection (e) is added at page 32 line 15 to read:

“(e) Notwithstanding the provisions of Public Law 15-54, the non-personnel operations in excess of \$1,000,000 shall be paid for from the Secretary’s non-personnel funds in § 591.”

Current subsection “(e)” is re-lettered as “(f)”.

Speaker Arnold Palacios: Representative Babauta has withdrawn his oral floor amendment and has in fact submitted a written floor amendment instead. I believe everybody has a copy. The motion has been made and seconded. Any further discussion.

Representative Babauta: Mr. Speaker, a subsidiary motion to my main motion so that we are consistent with the provision, on page 30 –

Representative Hofschneider: Point of order.

Speaker Arnold Palacios: State your point.

Representative Hofschneider: Can a mover of the main motion –?

Speaker Arnold Palacios: Representative Babauta, you might want reconsider changing your motion.

Representative Babauta: I wanted to kill two birds with one stone, but anyway if it is the wishes of the House, okay. Therefore, Mr. Speaker, I move to end debate.

The motion was seconded and the motion to amend H. B. NO. 16-51, HD2 as offered by Representative Babauta was carried by voice vote.

Speaker Arnold Palacios: The motion carries. I recognize Representative Babauta.

Representative Babauta: Mr. Speaker, so that we all be consistent with my written amendment just adopted, on page 30 line 27 on item (7) insert the figure “\$1,000,000” and reduce line 21 item (1) to reflect “\$182,565”. I so move – and also Mr. Speaker to have the same reflected on the Appendix for the Department of Public Health and also adjust the total.

The motion was seconded.

Speaker Arnold Palacios: Is everybody clear on that motion?

Representative Babauta: Mr. Speaker, let me start from the top. On page 30 on line 21 reduce subsection “(1) Office of the Secretary” by “\$1000,000” and that should reflect “182,565.” On line 27, add \$1,000,000 for that specific program or subsection “(7)”. Also on the total on the same line at “\$1,868,944” and the top should reflect “\$182,753” and also make adjustments on Appendix A to be consistent under the Department of Public Health to reflect the same.

The motion was seconded and there being no discussion, the motion to amend H. B. NO. 16-51 HD3 as offered by Representative Babauta was carried by voice vote.

Speaker Arnold Palacios: The motion is carried. Anymore amendments?

Representative Babauta: Mr. Speaker, if I may. This is not an amendment but a clarification from the chair or any of the committee members. On page 9 under the legislative branch, does the allocation for the members include the 18% retirement contribution, Mr. Speaker?

Representative Yumul: No, it will come out of your non-personnel account.

Representative Babauta: That is what I am saying, the allocation.

Representative Yumul: Yes.

Representative Babauta: Is it buried in the individual allocation?

Representative Yumul: Mr. Speaker, for clarification, the 18% is only for employees that have been hired prior to a specific date. Employees hired after that such as new congressmen and congresswomen are at 4%.

Speaker Arnold Palacios: The question is whether the retirement contribution fringe benefit is included in the \$105,000 individual member's allocation?

Representative Yumul: It is inclusive.

Representative Babauta: Mr. Speaker, so in essence only the elected members' contributions are appropriated separately – the members' contribution.

Representative Yumul: The employer contribution of each elected representative is inclusive. We did not make an appropriation for retirement contributions under a separate line item if that is what you are alluding to. Under the previous appropriation act I think \$600,000 was, but no, we did not.

Speaker Arnold Palacios: Representative Babauta, line 22 on page 9. “the salaries of the members of the House of Representatives and employer share of their benefits including the retirement fund”.

Representative Babauta: I understand that, Mr. Speaker. I was asking about the individual employees of the respective offices.

Representative Hofschneider: The question was for the elected members of the House and the Senate – is the employer contribution budgeted?

Representative Yumul: It is budgeted, but for each representative, it is within personnel. If you look at page lines 22 and 23, it states “the salaries of the members of the House of Representatives and employer share of their benefits including the retirement fund”.

Speaker Arnold Palacios: Recognized, Representative Babauta.

Representative Babauta: I guess for the individual offices – is it embedded in the individual member's allocation?

Representative Yumul: Yes.

Representative Babauta: Okay, that is what I want to clarify.

Speaker Arnold Palacios: I recognize the Vice Speaker.

Vice Speaker Deleon Guerrero: Mr. Speaker, if there is no objection from the members, I would like to offer an oral floor amendment on the concern I was discussing earlier. Short recess, Mr. Speaker.

Speaker Arnold Palacios: Short recess.

*The House recessed at 4:27 p.m.*

*RECESS*

*The House reconvened at 4:30 p.m.*

Speaker Arnold Palacios: We are back to our session, and I recognize Vice Speaker Deleon Guerrero.

Vice Speaker Deleon Guerrero: Mr. Speaker, I would like to offer a very simple oral floor amendment. For those programs that were budgeted for personnel to remove \$1.00 from the personnel account and plug it into the all other or non-personnel account wherever it appears.

The motion was seconded.

Speaker Arnold Palacios: For clarification.

Vice Speaker Deleon Guerrero: Mr. Speaker, I would like to take \$1.00 from personnel for all programs that are zero-funded and to place \$1.00 in the all others account.

Representative Babauta: Where do you intend to put the \$1.00?

Speaker Arnold Palacios: Under non-personnel.

Representative Babauta: Okay, globalize.

Vice Speaker Deleon Guerrero: Mr. Speaker, and that is to include changes in the worksheets.

Floor Leader Camacho: Mr. Speaker, I feel a little bit uncomfortable having such a broad net just thrown across. If we can list down the agencies or department presently unfunded so we have an idea what is it that we are voting on.

Speaker Arnold Palacios: Mr. Vice Speaker, clarify.

Vice Speaker Deleon Guerrero: Mr. Speaker, there are categories where personnel and all others are zero funded. Obviously, the amendment does not apply to those agencies. There are some agencies that have funding for all other but nothing for personnel. Again, this does not apply in that case. This only applies where there is funding for personnel and zero funding for all others, and you can see where it is at. Rather than to itemize it – we can do that ... it will take a few minutes.

Speaker Arnold Palacios: I believe that is fairly clear. We just add \$1.00 on all the blank spaces for all the agencies with personnel funding.

Representative Yumul: Mr. Speaker, just to air caution to add on to what the Floor Leader was alluding to. My concern is more in terms of the Planning and Budgeting Act. I know there are some members here that would probably be just as concerned knowing the fact that the Governor still has 25% reprogramming authority, the department head has 10% and if they start messing around this reprogramming authority...

Speaker Arnold Palacios: Representative Yumul, the reason why the Vice Speaker is offering that is because of P.L. 15-54. It is illegal for anyone to reprogram funds into a non-funded object class.



Representative Yumul: Mr. Speaker, and rightfully so that is the reason. We are trying to avoid diminishing the value of that public law. That is a very powerful public law and I know that was strengthened by former Speaker Babauta's move. And that is the whole premise. If we need to fund even just a dollar to a certain operational account, let us do that.

Speaker Arnold Palacios: That is what he is doing.

Representative Yumul: But not a blanket \$1.00 transfer to every account, otherwise it defeats the purpose of that law. So just an air of caution, I really want to be straightforward with it.

Speaker Arnold Palacios: We understand your concern. I recognize Representative Hofschneider.

Representative Hofschneider: Mr. Speaker, here is a scenario that is in line of what the chairman of Ways and Means – you cannot reprogram from operations up to personnel, but you can reprogram downwards. That is legal. So I do know if the Administration when they submitted this budget realized perhaps they are sending us a clear message that there is no hiring that is why they zeroed-out all those and therefore they are not willing to go down to operations and that is why they zero funded it. That they have a reason not to budget it and a reason not to hire and keep the personnel cost where it is and that is why – I did not know if it is a subliminal message to the legislature and we are relieving that by way of funding it however a dollar. On the other hand, he has the reprogramming authority under P.L. 3-68 of 25% of \$164 Million potentially can attend to other things that are not budgeted.

Representative Benavente: Mr. Speaker, I understand the concern, but I think knowing that we are basically under funding all the agencies, I do not see that as a possible problem with this budget that the Governor or the department will be abusing their expenditure authority by reprogramming so much money into those accounts. There is really nothing. The only thing that I think the Vice Speaker is concerned about is that we do not jeopardize the operation of those programs or agencies and by allowing even though we are only putting a dollar knowing that we do not have any money to put in there. Again, knowing that there is not that much money to reprogram, I do not think we should worry about that. Thank you.

Representative Sablan: Could I also clarify that the reason why we inflated the all others category for some of the department heads or secretaries and commissioner was so that they would have the flexibility to reprogram to other accounts? Right? And so that is really the only reason for putting a dollar in? So we intended that they would have that ability to reprogram?

Vice Speaker Deleon Guerrero: Correct.

Representative Sablan: Okay. Thank you.

Representative Hocog: Mr. Speaker, I would like to get everybody's attention to the administrative provision of the budget on page 36. I would like to offer a floor amendment also.

Vice Speaker Deleon Guerrero: Point of order.

Representative Hocog: *Hafa*.

Speaker Arnold Palacios: Representative Hocog, let us dispose of the amendment offered by the vice Speaker.

Representative Hocog: Okay, sorry.

Representative Quitugua: Mr. Speaker, for the information of the members on the January 31, 2008 communication from the Administration, there are funds earmarked for some of the activities that are included in the budget and probably that is why the Administration chose to zero out some of the activities because by law, they are earmarked already. And in this communication, it shows that there is approximately \$6 Million. Thank you, Mr. Speaker.

Vice Speaker Deleon Guerrero: Mr. Speaker, in the case where there are earmarking provisions, and I thought that this bill is suspending all earmarks – but let us say that there are, can a statute earmarking statute earmark funds into a zero funded account?

Speaker Arnold Palacios: Legal counsel, you may answer the question.

*House Counsel Ian Catlett: I think for that whatever comes later in time. If you have put in an appropriations bill said something is zero funded and then you later on set up a funding mechanism for something, then you have basically overruled your first action and the later in time will control.*

Vice Speaker Deleon Guerrero: A notwithstanding clause.

*House Counsel Ian Catlett: You could do it that way, but I think the question would be what was your intent by enacting a later earmark and that would be to reverse your zero funding in the first place. You could either do it by amending this public law if it becomes a public law or by a notwithstanding clause.*

Speaker Arnold Palacios: Are we ready for the question?

Several members voiced “ready”, and the motion to amend H. B. NO. 16-51, HD4 offered by Representative Deleon Guerrero to remove a dollar from the personnel account of those programs that are zero-funded and insert it into the non-personnel account was carried by voice vote.

Speaker Arnold Palacios: The motion carries. Are you ready for the main motion? Representative Hocog, recognized.

Representative Hocog: It has been taken care of, Mr. Speaker. I thank you very much.

Speaker Arnold Palacios: We are still under discussion on the motion for passage of H. B. NO. 16-51, House Draft 5. Representative Sablan.

Representative Sablan: I do not have an amendment, Mr. Speaker, but I do want some questions answered before we move on to vote.

Speaker Arnold Palacios: Okay, we are still under discussion and I will allow for statements or questions.

Representative Sablan: It is actually more a series of questions. I really do not feel comfortable voting on this bill at this time.

Speaker Arnold Palacios: Okay, Representative Sablan, you may proceed.

Representative Sablan: I would like to start with the question that was posed by Representative Hofschneider at the beginning which I do not think has been answered yet and that is where is the money coming from to cover the shortfall that arises from Public Law 15-94. I have not heard any amendment yet that would address that issue.

Speaker Arnold Palacios: Let me answer that question because repeatedly and rightly so Representative Hofschneider has referred and because I originally authored P.L. 15-94 in the form of H. B. NO. 15-246. When H. B. NO. 16-246 came back from the Senate -- it morphed – it amended. We went ahead with a lot of consolation and approved the Senate amendments.

Representative Hocog: Pont of information, Mr. Speaker.

Speaker Arnold Palacios: State your point.

Representative Hocog: Are you allowed to answer questions posed by Representative Sablan.

Speaker Arnold Palacios: Just to clarify.

Representative Hocog: You are excused.

Speaker Arnold Palacios: If there is no objection, may I proceed?

There was no objection from the floor.

Speaker Arnold Palacios: So, Representative Hofschneider was correct and it is a concern that lays on the 16<sup>th</sup> Legislature. We tried in the 15<sup>th</sup> Legislature to address it by way of finding funds to subsidize the potential shortfall. The shortfall really is not so much with the surcharge itself. It is with the non-fuel component of the charges because when the legislation came back from the Senate, the non-fuel cost was taken out. Therefore, CUC is facing deficits in their operational component, and not the fuel. I have spoken to several representatives about this law and one option is to address it with the proposal that Representative Hofschneider had put forward. But since the committee took the position that they would take it out of the budget proposal, I have considered taking with several members to repeal it and perhaps reenacting it to give CUC much more flexibility. I believe Representative Apatang is considering in our next session action to address a repealer and reenactment of P.L. 15-94. Representative Apatang.

Representative Apatang: Thank you, Mr. Speaker. For your information, I will be pre-filing the repealer of that law tomorrow.

Speaker Arnold Palacios: Representative Benavente, recognized on that particular issue.

Representative Benavente: Yes, Mr. Speaker. First of all, yes, we are not funding the intent of that legislation. The fact is that this Administration has made the policy call to provide subsidy and that subsidy that we are currently paying through what is considered advanced utility payment by the government includes the shortfall created by Public Law 15-94. So, because we have not identified and we have not provided that funding, the Administration continues to subsidize the shortfall that CUC needs and that includes the shortfall created by that public law.

Representative Hofschneider: Point of clarification. Today is the first day of the application of P.L. 15-94. They have been suspending the effectiveness of that law through emergency regulations and yesterday for all intents and purposes was the last day of the State of Emergency. So they have not been actually applying some form of subsidy to P.L. 15-94. Today would be the first day that the 17 cents is in effect.

Representative Benavente: Clarification, one more time, Mr. Speaker. Yes, I understand the 17 cents but we all know that with that regulation, it actually raised the rate to 25 cents. That is still substantially less than what should have been charged or what the regular rate is. I am talking about the difference, so if today they implement the 17 cents, then once again, the Administration has already taken the policy call to subsidize and would now have to subsidize and that is why I think it is important because we are only going to have so much for the subsidy money. I think that the repeal is probably timely to resolve this matter. But the question of what are we doing about the law that created this, the Administration has actually been paying the difference. Thank you.

Speaker Arnold Palacios: Representative Sablan, you still have the floor.

Representative Sablan: Thank you, Mr. Speaker. Then can I also clarify because I understand that the Governor's original submission also assumed that the Legislature would pass the no pay holiday bill. Does this legislation take that into account as well? Is there any shortfall that -?

Representative Yumul: No.

Representative Sablan: Okay, so my next question is what happens to the 397 employees who were not supposed to be funded after December who are still in their positions now under this budget?

Representative Yumul: I defer to the Vice Speaker to response to that.

Vice Speaker Deleon Guerrero: The Saipan and Northern Islands Legislative Delegation did make an attempt to subsidize the shortfall for the 397 employees by appropriating funding from the poker fees for the Third Senatorial District to be used for that purpose. We understand that the funds that we appropriated were not sufficient to carry them through September 30. The Administration understood that the funding was not adequate and it was our hope that the Administration would pitch in as well. So that funding which amounted to approximately \$1.2 Million is good until March 31<sup>st</sup>.

Representative Sablan: Is it budgeted in this bill?

Vice Speaker Deleon Guerrero: That was an act of the Fifteenth Legislature through a local law.

Representative Sablan: But was that money actually appropriated to pay for those salaries.

Vice Speaker Deleon Guerrero: It became law.

Representative Sablan: But as I recall from the first session, it is noted that it is illegal to appropriate that money under a continuing resolution, and that money is actually in fact being used. Is that correct?

Vice Speaker Deleon Guerrero: It is correct that it was signed into law.

Representative Sablan: I see. My next question then, Mr. Speaker, deals with the retirement fund contributions. Do all the personnel accounts for all the agencies already take into account this 8% contribution? They do not?

Representative Yumul: The answer is on page 50 line 14, with some of the amendments that were made. Public Law 15-128 is on the 18%.

Representative Sablan: I am fine with going into a short recess ... (audio interruptions).

Speaker Arnold Palacios: Short recess.

*The House recessed at 4:53 p.m.*

*RECESS*

*The House reconvened at 5:05 p.m.*

*(Recording did not pick up some statements of members)*

Representative Yumul: ...amendment right now. Just date the amendment – the legislator's FTE ceiling would be five per member to include themselves. So we have 5x20 that would be 100 plus 20 for the members themselves and that would be the ceiling. I so move.

Speaker Arnold Palacios: Representative Yumul, you have to be a little bit more serious. We are running out of time.

Representative Sablan: Representative Sablan, recognized.

Representative Sablan: Thank you, Mr. Speaker, I have a couple more questions, then I am done. So for salary ceilings, if most contracts end on September 30, 2008, I am not sure I understand what the point is of that unless the same provisions would be carried over until 2009. I do not know if that makes sense. If the continuing resolution passes?—Alright. I guess my last question is dealing with the number of people that would have to be let go, if any, after this budget is passed. I know that there were concerns about people who would have to be let go with the Governor's budget, from the mayors' offices for example.

Representative Yumul: As far as I am concern, Mr. Speaker, the Lieutenant Governor came out publicly in both papers of general circulation and said there will not be any termination as these are just considered unfilled FTEs. So at this point, I am unaware of any termination that would take place even after this bill is passed.

Representative Sablan: But is has also come out in the papers that the Mayor of Tinian particularly has in fact said that he would be losing people.

Speaker Arnold Palacios: Let me clarify. We have allocated more than four FTEs for the mayor. In fact, we have increased the Mayor of Tinian's budget over and above what was submitted by the Governor.

Representative Sablan: So is anybody being let go as a result of this budget, and are we able to achieve that and still have a balanced budget?

Representative Yumul: It is a carryover for personnel from P.L. 16-71.

Representative Sablan: What is a carryover?

Representative Yumul: Personnel accounts.

Speaker Arnold Palacios: Representative Hocog, recognized, and I hope this is germane to what Representative Sablan is discussing.

Representative Hocog: Very, very germane, Mr. Speaker. Three minutes ago I encountered a constituent out there from the island of Saipan that she had received a notice of termination for the end of this month. My concern is when the governor submitted the resources of \$160.1 Million that those employees would definitely be affected and I can see that. Now that we have identified additional \$4 Million, these people will still be furloughed come March 31<sup>st</sup>. Mr. Speaker, I really do not know the number of FTEs that would actually be affected. Is it 371 or 900? That did not even come up realistically on what is the true figure of employees that would be furloughed come March 31<sup>st</sup>. If only the 379 will be affected as a result of this budget, what we probably anticipate is \$1.2 Million to accommodate the 379 employees up to September 30. These families, Mr. Speaker, have little kids and probably loans that would really affect their livelihood. So with this, I move that I will donate my salary to contribute to the welfare of these affected employees, if they will be affected. I ask the members to follow suit. Seriously, Mr. Speaker, I am not going to vote for this budget if it is unclear whether the 379 people will be jobless after March 31<sup>st</sup>. What is the increase of \$4 Million from \$160 Million? I thought that the \$4 Million will augment those employees to stay within their respective workplace. Unless, I am only dreaming.

Representative Yumul: Mr. Speaker, the comments brought up by the Representative from Rota is a very strong concern. The budget that we have put together has brought into consideration the current FTEs that are in existence and are currently being employees. Unless there are employees that are not taken into consideration under this budget bill, I am unaware of that. I rely on the representatives of both municipalities of Rota and Tinian that the First Senatorial District, for example, has an FTE ceiling of 337 employees with a total budget of \$7.2 Million, but that will be sufficient for them to be employed to the end of this fiscal year likewise with the Second Senatorial District with 289 employees also with \$7.2 Million as a budget till the end of this fiscal year. If the FTEs are off, then we need to know, but as far as the Ways and Means Committee is aware, these are complete existing FTEs with real people sitting in those positions.

*(End of Tape 3 Side B)*

*(Beginning Tape 4 Side A)*

Representative Hocog: ...all these ungraded positions from the Mayors offices on Saipan, Rota, and Tinian. So if funding is still intact for these people then I do not know what other employees will be affected from other departments. Is it three hundred sum or more is what I am trying to figure out.

Speaker Palacios: It is 397. The continuing resolution will in fact terminate these employees. These employees' last day was in December and the 15<sup>th</sup> Legislature provided \$1.2 Million under a continuing resolution. Representative Hofschneider.

Representative Hofschneider: Mr. Speaker, you stated that as a result of the continuing resolution that these individuals are going to lose their jobs, I think it is the contrary. The continuing resolution is higher at \$168 Million it accounts. \$163 Million?

Speaker Palacios: It is at \$163 Million and because the 18% for the Retirement Fund kicked in, the Administration has to make the adjustment through its personnel costs and that is the only way that they are proposing. Representative Sablan.

Representative Sablan: Thank you, Mr. Speaker. So this budget does not really take into account then the expenditures that have been made to date. Am I correct? And so if that is the case then there is a chance that there could be many people who we would have no choice but to cut from the government because there would not be enough funding with whatever is remaining in their budget for the next six months. So we really do not know how many people stand to be let go. Is that correct?

Speaker Palacios: I recognize the Floor Leader.

Floor Leader Camacho: Mr. Speaker, the language might not be as clear as possible, but I am working with Ian here. I would like to direct the members to page 50, line 14, where it says "subsection 1206 NMI Retirement Fund", the language to the effect, pursuant to Public Law 15-26 which is the 18% for retirement, the way it is calculated with the present budget is calculated at 11% for Retirement in order make that difference from 11% up to 18% prior to the Governor reprogramming any funds to other Agencies and Departments and what not and he should bring himself up current to reach that 18% for that specific pay period or quarter to satisfy the 18%.

Speaker Palacios: Where are you making the amendment?

Floor Leader Camacho: That is the language we are working on.

Speaker Palacios: Short Recess.

*The House recessed at 5:25 p.m.*

*RECESS*

*The House reconvened at 5:31 p.m.*

Speaker Palacios: We are back in session. Floor Leader.

Floor Leader Camacho: Mr. Speaker, I believe there is an outstanding motion on my part. After much discussion and I believe that maybe some future commitments from others to continue to work out this retirement issue I respectfully withdraw my motion at this time, if there is no objection from the members.

Several members voiced no objection.

Speaker Palacios: Representative Hofschneider.

Representative Hofschneider: I move for the previous question.

Speaker Palacios: We are now on the main motion to pass H. B. NO. 16-51, House Draft 5 on First and Final Reading. Clerk, please call the roll.

The Clerk called the roll for the passage on First and Final Reading H. B. NO. 16-51, HD5:

Representative Edwin P. Aldan	no
Representative David M. Apatang	yes
Representative Oscar M. Babauta	yes
Representative Diego T. Benavente	yes (with reservation)
Representative Joseph Camacho	yes
(Yes, with the understanding that retirement issue will be addressed separately)	
Representative Francisco S. Dela Cruz	yes (with reservation)
Representative Joseph P. Deleon Guerrero	yes
Representative Victor B. Hocog	yes
Representative Heinz S. Hofschneider	no
Representative Raymond Palacios	yes (with reservation)
Representative Justo S. Quitugua	no
Representative Joseph Reyes	yes (with reservation)
Representative Christina Sablan	no
Representative Edward Salas	no
Representative Rosemond Santos	no
(I am going to have to say no, but I do want to acknowledge the hard work of our Chairman on Ways and Means in the last two months)	
Representative Ramon Tebuteb	yes
Representative Ralph Torres	yes (with reservation)
Representative Stanley Torres	yes
Representative Ray Yumul	yes
Representative Arnold Palacios	yes

Speaker Palacios: By a vote of fourteen “yes” H. B. NO. 16-51, House Draft 5 hereby passes the House on First and Final Reading.

### **ANNOUNCEMENT**

NONE

### **ADJOURNMENT**

Speaker Arnold Palacios: Mr. Floor Leader, motion to adjourn.

Floor Leader Camacho: Mr. Speaker, motion to adjourn subject to your call.

The motion was seconded and carried by voice vote.

Speaker Arnold Palacios: The House is hereby adjourned.

The House adjourned at 5:36 p.m.



Respectfully submitted,

Evelyn C. Fleming  
House Clerk

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**APPEARANCE OF LOCAL BILLS**

**First Appearance:** None

**Second Appearance:**

H. L. B. NO. 16-5: A Local Bill for an Act for the Third Senatorial District to repeal and reenact Article 2 of Chapter 2 of Title 10 of the Commonwealth Code, as established by Saipan Local Law No. 13-21, to reorganize the Saipan Higher Education Financial Assistance Program; and for other purposes. (Rep. David M. Apatang +9)

H. L. B. NO. 16-6: A Local Appropriation Bill for an Act for the First Senatorial District to appropriate \$50,000 from the local license fees for pachinko slot machines and poker machines in the First Senatorial District; and for other purposes. (Rep. Victor B. Hocog)

**Third Appearance:**

H. L. B. NO. 16-1: A Local Appropriation Bill for an Act for the Third Senatorial District to reappropriate \$38,000.00 from Section 2(h) of Saipan Local Law 15-16; and for other purposes. (Rep. David M. Apatang)

H. L. B. NO. 16-2: A Local Appropriation Bill for an Act by the Third Senatorial District to reappropriate \$324,802.00 from the FY 2007 lapsed funds collected pursuant to Saipan Local Law 11-2 for the settlement of judgment in *Jose Ch. Camacho v. CNMI Department of Public Works, et al.*, Civil Action No. 04-0220E; and for other purposes. (Rep. David M. Apatang)

H. L. B. NO. 16-3: A Local Appropriation Bill for an Act for the Third Senatorial District to reappropriate section 2(a) of Saipan Local Law 15-31 and section 2(f) of Saipan Local Law 15-12; and for other purposes. (Rep. Justo S. Quitugua)

H. L. B. NO. 16-4: A Local Appropriation Bill for an Act for the Second Senatorial District to appropriate \$98,000.00 from the local license fees for pachinko slot machines and poker machines in the Second Senatorial District to fund the Tinian Municipal Scholarship Program; and for other purposes. (Rep. Edwin P. Aldan)