

Commonwealth of the Northern Mariana Islands (CNMI)

Department of Finance

DEBT MANAGEMENT POLICY



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SECTION 1: INTRODUCTION

The Commonwealth of the Northern Mariana Islands (CNMI) recognizes the importance of prudent debt management to ensure fiscal sustainability and maintain the trust of its citizens and investors. This Debt Management Policy outlines the principles, objectives, and procedures guiding the issuance, management, and repayment of debt by the CNMI government.

SECTION 2: PRINCIPLES

The CNMI's debt management practices shall adhere to the following principles:

- (a) **Compliance:** All debt issuance and management activities shall comply with the relevant provisions of the CNMI Constitution, laws, and regulations, as well as federal statutes and issuance agreements.
- (b) **Transparency:** The government shall provide timely and accurate information on its debt portfolio, borrowing plans, and debt management practices to the public and stakeholders.
- (c) **Accountability:** Government officials responsible for debt management shall be held accountable for their decisions and actions, and corrective actions shall be executed.
- (d) **Risk Management:** Risks associated with debt, including interest rate risk, liquidity risk, and refinancing risk, shall be identified, monitored, and managed effectively.

SECTION 3: POLICY STATEMENTS

- (a) Public debt may not be authorized or incurred without the affirmative vote of two-thirds of the members in each house of the legislature ([CNMI Constitution, Article 10, Section 3](#)).
- (b) Public indebtedness other than bonds or other obligations of the government payable solely from the revenues derived from a public improvement or undertaking may not be authorized in excess of ten percent of the aggregate assessed valuation of the real property within the Commonwealth. ([CNMI Constitution, Article 10, Section 4](#)).
- (c) Public indebtedness may not be authorized for operating expenses of the Commonwealth government or its political subdivisions ([CNMI Constitution, Article 10, Section 4](#)).
- (d) The government shall budget for debt service payments in accordance with the terms of each debt instrument, ensuring that sufficient funds are available to meet payment obligations.
- (e) The CNMI shall monitor the CNMI's debt portfolio and report annually or when requested on its composition, outstanding balances, debt service obligations, and other relevant metrics.

- (f) The CNMI may issue pension obligation bonds, the cumulative amount of which shall not exceed the Commonwealth's actuarially determined unfunded accrued liability to the Retirement Fund. The net proceeds of each bond issuance shall be deposited and invested along with other monies in a defined benefit plan trust fund administered by the Northern Mariana Islands Retirement Fund. The bonds issued under this section shall be exempt from Section 4 of the CNMI Constitution. ([CNMI Constitution, Article 10, Section 10](#))

SECTION 4: ROLES AND RESPONSIBILITIES

- (a) *The Governor:* The Governor of the CNMI is the primary authority in initiating and championing debt issuance to support the Commonwealth's financial and economic objectives. The Governor is responsible for approving debt issuance, ensuring alignment with fiscal policies, and upholding compliance with the debt management policy. The Governor also plays a key role in advocating for responsible borrowing and ensuring sustainable debt service practices.
- (b) *The Secretary of Finance:* The Secretary of Finance oversees the implementation of the debt management policy, including coordinating debt issuance, monitoring debt levels, and reporting on debt-related matters. The Secretary ensures that debt obligations are met in a timely manner and that financial risks are managed effectively.
- (c) *The Legislature:* The CNMI Legislature has the authority to authorize the issuance of debt and appropriate funds for debt service payments. The Legislature ensures that borrowing aligns with the Commonwealth's fiscal strategy and public interest.
- (d) *Commonwealth Economic Development Authority (CEDA):* CEDA develops the procedures for debt issuance and coordinates related activities, ensuring compliance with legal and financial requirements.
- (e) *Financial Advisors:* The government may engage financial advisors to provide expertise in debt structuring, market analysis, and investor relations to optimize financing strategies and maintain market confidence.

SECTION 5: GUIDANCE

Refer to 'Section 7 - Related Documents (a)' for an example of the draft statement of the debt limit of the Commonwealth of the Northern Mariana Islands.

Section 5.1: Debt Limit Calculation

Section 5.1.1: Select target property or group of properties

Select a target property or group of properties with known and accepted real property valuations as the basis for the calculation of the debt limit.

Should the 2000 CNMI Census values of owner-occupied single-family homes see an update to prior figures (as is the case with the publication of the 2020 Census) the value should be updated along with its corresponding debt limit. In addition, the CNMI could utilize the most recent and highest value appraised values of public land leases provided by DPL (Refer to 'Section 7 – Related Documents (b)' for DPL's schedule of lease agreements) and provide an update on these figures with every five-year reappraisal of the target property. DPL properties used in the calculation should be known and cataloged for future uses, to ensure that future calculations do not double count a selected property.

Section 5.1.2: Aggregate the valuations of real property selected

Once a target property or group of properties has been selected, the CNMI would aggregate the total value of these properties.

In the case of the updated 2020 Census data for owner-occupied single-family homes in the CNMI this value would be \$1,640,847,429. Additional valuations of property would be added in this section, as the 2003 valuation of government property was included in the aggregate sum in 2007.

Section 5.1.3: Calculate the 10% limit on the aggregate assessed value of real property

Calculate 10% of the aggregate assessed value of real property collected in Section 5.1.2.

In the case of the 2020 Census data, taking 10% of the aggregate assessed value of real property would result in a debt limit of \$164,084,742.90.13.

Section 5.1.4: Subtract existing debt

Subtract existing debt from the debt limit to calculate the amount available for future debt obligation.

As of the CNMI Audited Financial Statements for 2020, the total existing debt amounts to \$85,405,389. Subtracting this figure from the debt limit calculated in Step 4, the amount available for future debt obligations is \$78,679,353.90.

Section 5.2: Debt Service

The Policy should provide guidance for ongoing administrative activities including:

- (a) DOF shall provide the Office of Management and Budget with the annual debt service schedule on an annual basis to be included in the annual appropriation bills.
- (b) DOF will administer debt service payments based on the payment terms of the debt (e.g., amortization schedule, payment terms, etc.).
- (c) CEDA shall administer continuing disclosure procedures, including annual certifications as required by debt documents as well as those related to ensure compliance with any continuing disclosure undertaking.
- (d) CEDA shall ensure US tax law compliance monitoring, including arbitrage rebate monitoring and filing.

Section 5.3: Debt Monitoring and Reporting

When debt proceeds (such as bonds, loans, or other borrowings) are received, they must be handled properly to ensure that the funds are accurately tracked and recorded.

- (a) Pension Obligation: Funds will be deposited directly to the CNMI Settlement Fund, with no cash transaction to the CNMI Government.
- (b) Other types of debt: A separate “restricted” bank account will be assigned for debt proceeds. In addition, ensure account is specifically designated for handling debt proceeds, as stipulated by legal or regulatory requirements.

A project will be created in the Munis system to distinctly monitor debt activity: Debt proceeds will be recorded in the long-term debt funding group (government-wide funds), and debt service activity will be recorded in the Cost Center funding group (governmental funds).

Refer to ‘[Section 7 - Related Documents \(c\)](#)’ for details of the following accounting entries.

Section 5.3.1: How to record debt proceeds.

Source	Account Description	ACCOUNT	Debit (DR)	Credit (CR)
To record financing proceeds				
GEN	LT Debt	3000-23103		51,000,000.00
	Bond Issuance Cost	3000-69030-LTD**	20,631,885.22	
	Bond Issuance Cost	3000-69030-LTD**	75,000.00	
	Bond Issuance Cost	3000-69030-LTD**	12,591.82	
	SETTLEMENT AGST GOVERNMENT	3000-69020-LTD**	30,280,522.96	
ADJUSTING ENTRIES for reporting purposes only				
GEN	LT Debt - 2020A	3000-23101	20,631,885.22	
	Bond Issuance Cost	3000-69030		20,631,885.22
GEN	LT Debt	3000-21460	30,280,522.96	
	SETTLEMENT AGST GOVERNMENT	3000-69020		30,280,522.96

Section 5.3.2: How to record debt service.

Source	Account Description	ACCOUNT	Debit (DR)	Credit (CR)
To record Debt service				
BUA	Expense	1000-69000-LTD**	4,910,000.00	
API	EXP debt service principle	1000-69040-LTD**	140,472.78	
	EXP interest	1000-69050-LTD**	350,527.22	
	Cash	9999-10000		491,000.00
ADJUSTING ENTRIES for reporting purposes only				
GEN	LT Debt - 2024A	3000-23103	140,472.78	
	EXP debt service principle	3000-69040		140,472.78

Section 5.3.3: How to report on debt activity

- (a) For total debt obligation, run TB by account report with applicable long term debt accounts.
- (b) For debt service payments, run YTD budget report with applicable cost center project accounts.

SECTION 6: AUTHORIZED/APPROVED PUBLIC DEBT

- (a) [1 CMC § 8491: Pension Obligation Bonds](#)
- (b) [2 CMC § 4742: General Obligation Bonds for Land Compensation](#)
- (c) [4 CMC § 10701: General Obligation Bonds for Capital Improvement Projects](#)
- (d) [4 CMC § 10416: American Memorial Park Loan](#)
- (e) [4 CMC § 40464: Bond Anticipation Notes](#)
 - 2020A BOG Bridge Loan
 - 2024A BOG Bridge Loan
- (f) [4 CMC § 10405: CEDA Borrowing Authority](#)
- (g) [Pongsana Debt PL 13-44](#)
- (h) [Rebate Public Debt Act PL 13-41](#)
- (i) [MPLT Yutu Loan PL 21-03](#)
- (j) [CIP Public Debt PL 4-21](#)
- (k) [MPLT EDA Line of Credit](#)


SECTION 7: RELATED DOCUMENTS

- (a) [DOF Debt Limit Research Revised - Final](#)
- (b) [DPL schedule of lease agreements](#)
- (c) [Debt management accounting entries](#)

SECTION 8: REVIEW AND UPDATES

This Debt Management Policy shall be reviewed at least annually to assess its effectiveness and relevance considering changing economic conditions, fiscal priorities, and regulatory requirements. Updates may be made as necessary to ensure that the policy remains aligned with the CNMI's financial goals and obligations.

SECTION 9: REVISION/VERSION HISTORY**Revision History**

Originator:	Department of Finance, Office of the Secretary
Effective Date:	03/26/25
Approved By:	Tracy B. Norita, Secretary of Finance
Approval Signature:	
Procedure Purpose:	To document the principles, objectives, and procedures guiding the issuance, management, and repayment of debt by the CNMI government.

Version History:

Version Number	Version Date	Description of Change	Point of Contact
<i>Version 1.0</i>	<i>03/26/25</i>	<i>Initial Release</i>	<i>R. Camacho</i>