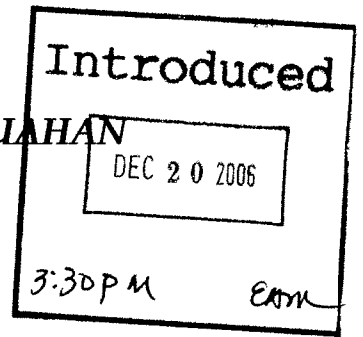


MINA' BENTE OCHO NA LIHESLATURAN GUAHAN
2006 (Second) Regular Session



Bill No. 407 (LS)

Introduced by:

R.J. Respicio
B.J.F. Cruz

AN ACT TO ESTABLISH THE OFFICE OF FINANCE AND BUDGET WITHIN *I LIHESLATURAN GUAHAN* FOR THE ADOPTION OF AN ECONOMETRIC MODEL OF GUAM'S EXISTING AND PROJECTED ECONOMY TO BE USED TO SIMULATE THE EFFECT OF REVENUE FORECASTING AND THE COORDINATION AND GATHERING OF INFORMATION NECESSARY FOR *I LIHESLATURA* TO MAKE AND ADOPT REVENUE PROJECTIONS FOR THE OPERATIONS OF THE GOVERNMENT OF GUAM, AND TO REVIEW LEGISLATION AND ISSUES OF CONCERN RELATIVE TO FISCAL POLICY INCLUDING BUT NOT LIMITED TO LEGISLATIVE APPROPRIATIONS, TAXATION, REVENUE COLLECTION, GENERAL FUND REVENUES, SPECIAL FUND REVENUES, AND GOVERNMENT EXPENDITURES, AND TO REPEAL SECTION 23 OF PUBLIC LAW 25-176.

1 BE IT ENACTED BY THE PEOPLE OF GUAM:

2 Section 1. Statement of Legislative Purpose. The Office of Finance
3 and Budget was originally established by Public Law 25-176, a
4 supplemental appropriations act to the General Appropriations Act of
5 2001, and has not been codified. The purpose of this act is to codify the

1 Office of Finance and Budget and expand the purpose, functions and
2 duties of said office.

3 **Section 2.** A new Chapter 13 is added to Title 2 of the Guam Code
4 Annotated as follows:

5 **“CHAPTER 13**

6 **OFFICE OF FINANCE AND BUDGET**

7 **§13101. Legislative Findings and Intent.** *I Liheslaturan Guåhan*
8 recognizes the need for the independent forecasting of government
9 revenues, with the minimum goal of adopting an econometric model
10 best suited for the government of Guam. There is a need to compile
11 and make available to *I Liheslaturan Guåhan, I Maga’lahen Guåhan* and
12 the public, forecasts of revenues *no less than* five (5) years
13 immediately beyond the operating budget year; expenditure
14 information *no less than* five (5) years past; consistent year-by-year
15 impact analysis of Federal expenditures on Guam's economy and
16 employment; and a myriad of related economic factors significant to
17 the formulation of short and long-term fiscal policy.

18 *I Liheslaturan Guåhan* also recognizes that the direction of future
19 fiscal policy must be consistent with recent initiatives towards
20 government reorganization and performance-based budgeting which
21 concentrates on measurable program goals systematically monitored
22 towards achieving program results and a mechanism for reporting
23 publicly on their progress. *I Liheslaturan Guåhan* views the present
24 threshold between traditional and performance-based budgeting as
25 an important juncture in our fiscal maturity which calls for improved

1 articulation and standards of measure on goal-driven objectives and
2 practical technological applications in the budget formulation and the
3 processes which must precede this vital product.

4 *I Liheslaturan Guåhan*, therefore, acknowledges that time is of
5 the essence and seeks to create the Office of Finance and Budget
6 (“OFB”), to begin the long overdue and arduous process of renewed
7 fiscal discipline through the enactment of laws which require the
8 practice of open government, cooperation between the legislative and
9 executive branches, and the assignment of fiscal responsibility to
10 appropriate government entities and officials, all in the interest of
11 restoring public confidence and government efficiency.

12 **§13101. Creation of Office.** There is hereby created within *I*
13 *Liheslaturan Guåhan*, under the supervision of the Committee on
14 Ways and Means, or equivalent Standing Committee, the Office of
15 Finance and Budget (“OFB”), legislatively operating under such rules
16 and regulations as *I Liheslaturan Guåhan* may from time to time
17 provide within its Standing Rules.

18 **§13102. Budget of Office.** While the OFB will be under the
19 supervision of the Committee on Ways and Means, or equivalent
20 Standing Committee, its budget shall *not* be included as a part of *I*
21 *Liheslaturan Guåhan’s* annual operating budget. The OFB, annually,
22 shall submit its own operating budget to *I Liheslaturan Guåhan* in the
23 same manner and under the same requirement as other departments
24 and agencies of the government of Guam.

1 **§13103. Purpose of Office.** The OFB shall be responsible for the
2 administration of this Chapter and the performance of the
3 responsibilities and duties assigned by law. It shall be charged with
4 the coordination and gathering of information necessary for *I*
5 *Liheslatura* to make and adopt revenue projections for the operations
6 of the government of Guam, the review of any and all legislation,
7 public matters, and issues of concern relative to fiscal policy,
8 legislative appropriations, taxation, revenue collection, government
9 expenditures, general fund revenues, special fund revenues, and
10 other matters as assigned by *I Liheslatura*.

11 **§13104. Administration of Office.** The Chairperson of the
12 Committee on Ways and Means, or equivalent standing committee,
13 shall appoint a Director who shall be responsible for the
14 administration of the office and other duties as prescribed by law.
15 The Director shall also be responsible for any and all matters as
16 assigned by the Chairperson of the Committee on Ways and Means,
17 or equivalent standing committee.

18 **§13105. Duties of Office.** The duties of the Office of Finance
19 and Budget shall include but are not limited to the following:

20 (i) develop or adapt an econometric model of Guam's existing
21 and projected economy, which model shall be used to simulate
22 the effect of revenue raising, the effect of any proposed benefits
23 and the optional revenue generation and utility thereof. The
24 OFB shall utilize all existing and otherwise available resources,

1 such as the econometric model now used by the United States
2 Treasury, in its development of such model for its work;

3 (ii) compile and make available to the Legislature, the
4 Governor, and the public, forecasts of revenues, current and
5 prior year expenditures, and surplus or deficit;

6 (iii) determine the impact of federal expenditures in Guam;

7 (iv) determine the impact of tourism expenditures in Guam and

8 (v) provide logistical and technical support as necessary to the
9 Legislative Tax Review Commission.

10 **§13106. Special Accounting Service.** There shall be a Special
11 Accounting Service work group comprised of the Director of the
12 Office of Finance and Budget, the Controller of the Department of
13 Administration, the Chief of the Taxpayer Services Administration
14 Branch of the Department of Revenue and Taxation, and the Budget
15 Analyst Supervisor of the Bureau of Budget and Management
16 Research, which shall meet time to time to discuss and develop
17 recommendations on fiscal policy, provide technical assistance to the
18 Office of Finance and Budget, and share information relative to
19 government finances.

20 **§13107. Special Economic Service.** There shall be a Special
21 Economic Service work group comprised of the Director of the Office
22 of Finance and Budget, the Director of the Bureau of Budget and
23 Management Research, the Director of the Department of Revenue
24 and Taxation, the Director of Administration, the Administrator of
25 the Guam Economic Development and Commerce Authority, the

1 Senior Economist of the Department of Labor, the Chief Planner of
2 the Bureau of Statistics and Plans, and the Administrator of Research
3 and Evaluation (Research Manager) of the Guam Visitors Bureau,
4 which shall meet from time to time to discuss and develop
5 recommendations on economic policy, provide technical assistance to
6 the Office of Finance and Budget, and share information relative to
7 the state of the economy.

8 **§13108. Executive Branch Accounting, Financial, and**
9 **Economic Services.** The Executive Branch shall provide the Office of
10 Finance and Budget with any and all information and services
11 necessary for the full implementation of this Chapter.

12 (i) Reports. The Executive Branch shall provide the following
13 reports to the Legislature as follows:

14 (a) *No later than thirty (30) days after the close of each*
15 *month of Fiscal Year 2007, the revenue tracking for the*
16 *balance of the fiscal year, based upon the actual*
17 *collections of the preceding month and prepare a*
18 *comparative statement of the “actual” and “projected”*
19 *revenues. Such information shall be compiled in a Report,*
20 *certified by the Director of the Bureau of Budget and*
21 *Management Research, in collaboration with the Director*
22 *of Revenue and Taxation and the Director of*
23 *Administration and submitted to the Speaker of* *I*
24 *Lihselaturan Guåhan no later than thirty (30) days after the*
25 *close of each month of the fiscal year;*

1 (b) On July 1, 2007, and on a semiannual basis thereafter,
2 the impact of federal expenditures on Guam's economy
3 and employment, including projections of federal
4 expenditures coming into Guam and changes in these
5 expenditures on Guam's economic growth, employment,
6 tax revenues, and other variables, for the next year
7 compared with the previous five (5) years; identify
8 significant federal expenditures or potential expenditures
9 coming into Guam affecting military bases, installations,
10 active duty and retired military personnel within Guam,
11 as well as the impact of the changes in these expenditures.
12 Such information shall be compiled in a Report, certified
13 by a majority of the members of the Special Economic
14 Service and submitted to the Speaker of *I Liheslaturan*
15 *Guåhan*;

16 (c) On July 1, 2007, and on a semiannual basis thereafter,
17 the impact of tourism expenditures on Guam's economy
18 and employment, including projections of tourism
19 expenditures coming into Guam and changes in these
20 expenditures on Guam's economic growth, employment,
21 tax revenues, and other variables, for the next year
22 compared with the previous five (5) years; identify
23 significant tourism expenditures or potential
24 expenditures coming into Guam affecting tourism as well
25 as the impact of the changes in these expenditures. Such

1 information shall be compiled in a Report, certified by a
2 majority of the members of the Special Economic Service
3 and submitted to the Speaker of *I Liheslaturan Guåhan*;
4 and

5 (d) Prepare long-range forecasts of revenues and
6 expenditures for each of the five (5) years immediately
7 beyond the budget year. Such information shall be
8 compiled in a Report, certified by a majority of the
9 members of the Special Economic Service and submitted
10 to the Speaker of *I Liheslaturan Guåhan*."

11 **Section 3.** Section 23 of Public Law 25-176 is hereby repealed in its
12 entirety.