

*I MINA'TRENTAI UNU NA LIHESLATURAN GUÅHAN*  
2011 (~~SECOND~~) Regular Session  
FIRST

Bill No. 303-31(LS)

Introduced by:

V.C. Pangelinan  
B. J. Cruz

2011 SEP - 7 10:07

**AN ACT TO REQUIRE A DEFICIT REDUCTION AND FISCAL REFORM PLAN BY *I MAGA'LÅHEN GUÅHAN'S* FISCAL RESPONSIBILITY AND TAX REFUND COMMISSION BEFORE INCURRING FURTHER DEBT OR INCREASING GUAM'S DEBT LIMIT**

1 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2 **Section 1. Legislative Intent.** *I Liheslaturan Guåhan* intends to continue  
3 its examination of the issue of the government of Guam's outstanding obligations  
4 and desires to consider plans and recommendations of *I Maga'låhen Guåhan's*  
5 Fiscal Responsibility and Tax Refund Commission (FRTRC) in resolving these  
6 issues. *I Liheslaturan Guåhan* recognizes that resolving the structural imbalance of  
7 the government of Guam and bringing finality to curing the structural deficit may  
8 require the consideration of converting the current deficit into long-term debt. In  
9 order for this consideration to reflect the policies and priorities of *I Maga'låhen*  
10 *Guåhan*, *I Liheslaturan Guåhan* is requesting action from the *I Maga'låhen*  
11 *Guåhan's* Fiscal Responsibility and Tax Refund Commission to address  
12 impediments voiced by *I Maga'låhen Guåhan* to the timely payment of income tax  
13 refunds.

14 *I Liheslaturan Guåhan* recognizes the establishment of the FRTRC pursuant  
15 to *I Maga'låhen Guåhan's* Executive Order No. 2011-10, as amended.

1           **Section 2. Reporting of Recommendations of the Fiscal Responsibility**

2 **and Tax Refund Commission.** The FRTRC, established pursuant to Executive  
3 Order No. 2011-10, as amended, *shall* compile and submit a written report, in  
4 accordance with the timeline in Section 4 of this Act, that contains a detailed  
5 statement of the FRTRC’s findings, conclusions, and recommendations regarding  
6 policy initiatives to develop a fiscal strategy for reducing the overall deficit, debt,  
7 and liabilities of the government of Guam and to improve the government of  
8 Guam’s fiscal situation to achieve long-term and effective fiscal sustainability in  
9 the government’s operating budget. These recommendations *shall* be known as the  
10 “Deficit Reduction and Fiscal Reform Plan” (Plan). The Plan made by the FRTRC  
11 *shall* include:

12           (a) Proposals to compel compliance with §51102 of Chapter 51, of Title  
13 11 of the Guam Code Annotated regarding the deposit of funds into the Income  
14 Tax Refund Efficient Payment Trust Fund toward the timely payment of income  
15 tax refunds;

16           (b) Review, analyze, and provide its position and recommendation on all  
17 future issuance(s) of long-term debt, including the issuance of general and limited  
18 obligation bonds, revenue bonds, and lines of credits. The review and analysis  
19 *shall* include but not be limited to, a 10-year revenue and expenditure forecast  
20 and/or recommendations for operating cost reductions to support any potential debt  
21 service on new debt.

22           (c) Proposals to address the unfunded actuarial accrued liability towards  
23 ensuring the solvency of the government of Guam Retirement Fund

24           (d) A plan that addresses the recurring fiscal gap between the annual  
25 revenue collections and expenditures of the government of Guam, including but  
26 not limited to, increasing revenues, decreasing expenditures, or a combination of  
27 both; and

1 (e) A signed memorandum of understanding or equivalent document with  
2 the Internal Revenue Service or the Department of Treasury or the Department of  
3 Interior that outlines the method and terms of repaying the ARRA Make Work Pay  
4 overpayments to Guam for Tax Years 2009 and 2010.

5 **Section 3. Reporting Requirements.**

6 (a) Within ninety (90) days of enactment of this Act, the FRTRC *shall*  
7 submit its first written report of the Plan to *I Liheslaturan Guåhan* and the Office  
8 of Finance and Budget. The report *shall* address Subsections 2(a) and 2(b) above,  
9 and *shall* include an approved final written report containing a set of  
10 recommendations to achieve the recommendation(s) of the FRTRC.

11 (b) Within one hundred twenty (120) days of enactment of this Act, the  
12 FRTRC *shall* submit its second written report of the Plan to *I Liheslaturan Guåhan*  
13 and the Office of Finance and Budget. The report *shall* address Subsections 2(c)  
14 through 2(e) above, and *shall* include an approved final written report containing a  
15 set of recommendations to achieve the recommendation(s) of the FRTRC.

16 (c) The recommendations in Subsections 3(a) and 3(b) *shall* demonstrate  
17 that the FRTRC considered the following in developing said recommendations:

18 (1) The schedule of the relocation of the Third Marine Division and  
19 other military personnel and support activities from Okinawa and Japan to  
20 Guam;

21 (2) The realistic projection of the timing and amounts of  
22 incremental revenues the government will collect from the such relocation;

23 (3) The incremental increase in expenditures to support and  
24 mitigate such relocation;

25 (4) The impact of the recommendations of the Joint Select  
26 Committee on Deficit Reduction as required by United States of America  
27 Public Law 112-25, if implemented, on the continuance of federal programs

1 and services and the need for local funding to absorb such cuts upon the  
2 operations of the government and current debt service requirements of  
3 existing debt or any new debt;

4 (5) The effect on the continued delay in the issuance of the final  
5 ruling on the granting of parole authority by the United States of America  
6 Department of Homeland Security for tourists from China and Russia;

7 (6) Other global, national, and regional economic factors which  
8 could affect economic activity and investments on Guam; and

9 (7) Other matters that the Commissioners may deem appropriate.

10 **Section 4. Additional Reporting Requirement for the Authorization**  
11 **for Past Due Income Tax Refunds.**

12 (a) The FRTRC *shall* determine the actual amount of past due income tax  
13 refunds not included for payment by an approved authorization for the issuance of  
14 a bond. The FRTRC *shall* review, analyze, and provide to *I Maga'låhen Guåhan*, a  
15 written report on the viability of issuing additional bonds and recommend the  
16 timing for an additional bond issue to pay any remaining past due income tax  
17 refunds not included for payment by the proceeds of a previously approved  
18 authorization for the issuance of a bond or by the provisions for income tax refunds  
19 in the *Annual Appropriations Acts of FY 2011 and FY 2012* for the government of  
20 Guam.

21 (b) This request *shall* be separate and apart from all other reports required  
22 to be submitted by the FRTRC as required by this Act.

23 (c) The report required by this Section *shall* be presented to *I Maga'låhen*  
24 *Guåhan* no later than one hundred twenty (120) days after enactment of this Act.

25 (d) For the purposes of this Section and reporting requirement, past due  
26 income tax refunds *shall* mean claims filed, processed, and certified by the  
27 Director of the Department of Revenue and Taxation as A-status income tax

1 returns *and* are due an income tax refund on or before the date that is one hundred  
2 twenty (120) days after the date of enactment of this Act.

3 **Section 5. Administration.** In order to enable the FRTRC to exercise its  
4 mission pursuant to Executive Order No. 2011-10, as amended, as well as the  
5 duties and responsibilities mandated herein, the following *shall* constitute the  
6 administrative provisions of the FRTRC, which were absent from Executive Order  
7 No. 2011-10, as amended:

8 (a) **Quorum.** A majority of the FRTRC *shall* constitute a quorum for  
9 purposes of voting and meeting.

10 (b) **Proxy Voting.** No proxy voting *shall* be allowed on behalf of the  
11 Commissioners of the FRTRC.

12 (c) **Approval of Recommendations.** The recommendations and  
13 subsequent reports provided to *I Liheslaturan Guåhan* in  
14 accordance with this Act, *shall* be approved by a majority of the  
15 Commissioners of the FRTRC.

16 (d) **Subsequent Recommendations.** Upon approval by the FRTRC,  
17 subsequent recommendations and/or reports, in addition to those  
18 mandated herein, that are prepared by the FRTRC *shall* be  
19 submitted to *I Liheslaturan Guåhan no later than* September 30<sup>th</sup>  
20 of each fiscal year.

21 **Section 6. Effective Date.** This Act *shall* be effective upon enactment.

22 **Section 7. Severability.** If any provisions of this Act or the application  
23 thereof to any person or circumstance is held invalid, such invalidity *shall* not  
24 affect any other provision or application of this Act which can be given effect  
25 without the invalid provision or application, and to this end the provisions of this  
26 Act are severable.