



COMMITTEE ON RULES

I Mina'trentai Unu na Libeslaturan Guåhan • The 31st Guam Legislature
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2012 NOV 26 *RL*
AM ID: 28

Senator
Rory J. Respicio
CHAIRPERSON
MAJORITY LEADER

November 26, 2012

Senator
Judith P. Guthertz
VICE CHAIRPERSON
ASST. MAJORITY LEADER

Memorandum

MAJORITY
MEMBERS:

To: Pat C. Santos
Clerk of the Legislature

Speaker
Judith T. Won Pat

From: Senator Rory J. Respicio
Majority Leader & Rules Chair

Vice Speaker
Benjamin J. F. Cruz

Subject: Fiscal Notes

Senator
Tina Rose Muña Barnes
LEGISLATIVE SECRETARY
MAJORITY WHIP

Hafa Adai!

Attached please find the fiscal notes for the bill numbers listed below. Please note that the fiscal notes, or waivers, are issued on the bills as introduced.

Senator
Dennis G. Rodriguez, Jr.
ASST. MAJORITY WHIP

Bill No.:	461-31 (COR)	523-31 (COR)
	518-31 (COR)	528-31 (COR)
	521-31 (COR)	532-31 (COR)

Senator
Thomas C. Ada

Senator
Adolpho B. Palacios, Sr.

Please forward the same to MIS for posting on our website. Please contact our office should you have any questions regarding this matter.

Senator
vicente c. pangelinan

MINORITY
MEMBERS:

Si Yu'os ma'åse'!

Senator
Aline A. Yamashita
ASST. MINORITY LEADER

Senator
Christopher M. Duenas

**BUREAU OF BUDGET & MANAGEMENT RESEARCH**

OFFICE OF THE GOVERNOR
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GOVERNOR

JOHN A. RIOS
DIRECTOR

RAY TENORIO
LIEUTENANT GOVERNOR

STEPHEN J. GUERRERO
DEPUTY DIRECTOR


NOV 23 2012

Senator Rory J. Respicio
Chairperson, Committee on Rules
I Mina'trentai Unu na Liheslaturan Guåhan
The 31st Guam Legislature
155 Hesler Place
Hagåtña, Guam 96932

Hafa Adai Senator Respicio:

Transmitted herewith is Fiscal Note on the following Bill Nos.: 461-31(COR), 518-31(COR), 521-31(COR), 523-31(COR), 528-31(COR), and 532-31(COR).

If you have any question(s), please do not hesitate to call the office at 475-9412/9106.


JOHN A. RIOS
Director

Enclosures

cc: Senator Vicente (ben) Pangelinan

**Bureau of Budget & Management Research
Fiscal Note of Bill No. 523-31(COR)**

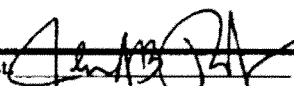

AN ACT RELATIVE TO THE APPROPRIATION OF FUNDS TO THE UNIVERSITY OF GUAM

Department/Agency Appropriation Information	
Dept./Agency Affected: University of Guam	Dept./Agency Head: Dr. Robert Underwood, President
Department's General Fund (GF) appropriation(s) to date:	30,189,847
Department's Other Fund (Specify) appropriation(s) to date:	3,662,048
Total Department/Agency Appropriation(s) to date:	\$33,851,895

Fund Source Information of Proposed Appropriation			
	General Fund:	(Specify Special Fund):	Total:
FY 2012 Unreserved Fund Balance ¹		\$0	\$0
FY 2013 Adopted Revenues	\$0	\$0	\$0
FY 2013 Appro. (Substitute Bill 426-31)	\$0	\$0	\$0
Sub-total:	\$0	\$0	\$0
Less appropriation in Bill	\$0	\$0	\$0
Total:	\$0	\$0	\$0

Estimated Fiscal Impact of Bill						
	One Full Fiscal Year	For Remainder of FY 2013 (if applicable)	FY 2014	FY 2015	FY 2016	FY 2017
General Fund	\$0	\$0	\$0	\$0	\$0	\$0
(Specify Special Fund)	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$0	\$0	\$0	\$0	\$0	\$0

- Does the bill contain "revenue generating" provisions? / / Yes /x/ No
If Yes, see attachment
- Is amount appropriated adequate to fund the intent of the appropriation? /X/ N/A / / Yes / / No
If no, what is the additional amount required? \$ _____ /X/ N/A
- Does the Bill establish a new program/agency? / / Yes / / No
If yes, will the program duplicate existing programs/agencies? /X/ N/A / / Yes / / No
Is there a federal mandate to establish the program/agency? / / Yes /X/ No
- Will the enactment of this Bill require new physical facilities? / / Yes /X/ No
- Was Fiscal Note coordinated with the affected dept/agency? If no, indicate reason: / / Yes /X/ No
/ / Requested agency comments not received by due date /X/ Other: Insufficient time for collaboration due deadline.

Analyst: 	Date: 11/16/12	Director: 	Date: NOV 23 2012
John AB Pangelman, Budget Supervisor		John A. Rios, Director	

Footnotes:
Please see attached comments.

Comments on Bill No. 523-31

Bill No. 523-31 (COR) proposes to appropriate \$1,470,000 needed to prevent a tuition increase at the University of Guam (UOG). The funding source is the annual debt payment made to the 2002 Bank of Guam Short Term Loan, which has since been paid off in October 2012. With the exception of the last debt payment of \$1,717,449 made to retire this debt, the annual debt payment under the 2002 short term loan debt has been \$1,281,818. This bill is seeking to transfer the pledge of Section 30 funding to fund the proposed appropriation in the event the Government of Guam is not able to provide the customary General Fund funding provided to the loan. In this case the pledge funding would increase to \$1,470,000, an increase of \$188,182.

The basis for such an appropriation is the result of the limited funding provided to UOG since FY 2000. The bill is also citing the Governor's 15% reserve, implemented in FY 2011 and FY 2012 as a contributing factor to the increase in tuition cost needed to cover the added operational cost brought on by inflation. The bill further reflected on the University's belt tightening cost reduction, the use of technology, and the consolidation of programs to collectively save up to \$2 Million. However, such belt tightening cost saving measures were not specifically identified and the cost of technology may be higher than the savings purported.

The limited funding to UOG as presented by the bill is being felt by all departments and agencies of the Government of Guam, including the Guam Department of Education and the Guam Community College. The Government of Guam's Public Health clinics and Guam Memorial Hospital Authority are feeling the same structurally deficit funding. And our safety agencies that include the Guam Police Department, Guam Fire Department, Department of Correction and the Guam Custom and Quarantine are experiencing the same funding shortfall. UOG is not alone in its funding crisis.

The Government of Guam's overall annual debt service payments for FY 2013 are \$61.7 Million. For FY 2014, the expected aggregated annual debt service payments are \$77.5 Million and in FY 2015, the scheduled annual debt service payments are pegged at \$99.7 Million, an increase of \$22.2 Million. The aggregate debt service payments for FY 2016 are expected to be at \$81.2 Million, a reduction of \$18.5 Million; but the annual debt service requirement would remain between \$86 Million and \$95 Million thereafter for several years, which is still high, given the level of General Fund and Special Fund revenues the Government of Guam generates each year.

Efforts have been made to pay down the income tax refund; but, there still remains approximately another \$100 Million more in Income Tax Refund payments. Additionally, there are pending obligations such as the condemnation payments of up to \$21 Million owed to previous landfords and the potential healthcare service cost of approximately \$71 million required by the federal government.

General Fund and most Special Revenue Fund revenues will remain fairly the same, increasing nominally for normal customary increase and will the same until such time there are strong economic growths. However such economic growth is not expected in the near future. Therefore, overall government

revenues are not expected to keep pace with growing government operating cost; thus, the continued budget practice of providing structurally deficit funding of all Government of Guam line departments and agencies in the coming years

Given these concerns, the Bureau of Budget and Management Research (BBMR) is unable to support such earmarking of revenues for UOG. We believe the proposal is commendable; but such earmarking would become the norm rather than the exception, resulting in a situation where the government's revenue base is slowly eaten away, further increasing the practice of structurally deficit budgeting.