



Office of the Governor of Guam

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Felix P. Camacho
Governor

Michael W. Cruz, M.D.
Lieutenant Governor

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March 19, 2008

The Honorable Judith Won Pat
Speaker
Mina' Bente Nuebi Na Liheslaturan Guahan
Twenty-Ninth Guam Legislature
155 Hessler Street
Hagåtña, Guam 96910

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Dear Speaker Won Pat:

Due to an unfortunate oversight, the transmittal letter on vetoed Bill #'s 210, 211, 214, 218, and 221 dated March 18, 2008 delivered yesterday was a version in the draft stage.

Please replace with the attached which reflects the final version that should have been sent.

Your attention is appreciated.

Sincerely,

Handwritten signature of J. George Bamba

J. GEORGE BAMBA
Chief of Staff

for



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19 MAR 2008

Honorable Judith T. Won Pat
Speaker
I Mina' Bente Nuebi Na Liheslaturan Guahan
155 Hesler Street
Hagåtña, Guam 96910

Dear Speaker Won Pat:

Please find enclosed:

Bill No. 210 "AN ACT TO APPROPRIATE FUNDS TO AUTHORIZE THE DEPARTMENT OF REVENUE AND TAXATION TO PURCHASE NEW EQUIPMENT AND CONTRACTUAL NEEDS NECESSARY FOR THE FUNCTIONS OF THE DEPARTMENT."

Bill No. 211 "AN ACT TO APPROPRIATE FUNDS TO AUTHORIZE THE DEPARTMENT OF REVENUE AND TAXATION TO HIRE NEW PERSONNEL WITHIN VARIOUS DIVISIONS TO ENHANCE COLLECTION EFFORTS AND COMPLIANCE WITH LOCAL LAWS."

Bill No. 214 "AN ACT TO APPROPRIATE THE SUM OF TWELVE MILLION EIGHT HUNDRED THOUSAND DOLLARS (\$12,800,000) FOR DELINQUENT STREETLIGHT ARREARAGE OWED TO THE GUAM POWER AUTHORITY TO COMPLY WITH THE STIPULATION ISSUED BY THE GUAM PUBLIC UTILITIES COMMISSION IN RESPONSE TO THE GUAM POWER AUTHORITY PETITION FOR FY08 BASE RATE RELIEF AS CONTAINED IN DOCKET 07-10."

Bill No. 218 "AN ACT TO APPROPRIATE THE SUM OF EIGHT HUNDRED THOUSAND DOLLARS (\$800,000) FROM THE GENERAL FUND TO THE DEPARTMENT OF REVENUE AND TAXATION (DRT) FOR THE PURPOSE OF FUNDING OVERTIME COSTS AND THE PURCHASE OF COMPUTER HARDWARE AND SOFTWARE IN ORDER TO SPEED UP THE REVIEW AND PROCESSING OF INCOME TAX RETURNS SO THAT DRT CAN PAY OUT FEDERAL FUNDS RECEIVED RELATIVE TO THE FEDERAL ECONOMIC STIMULUS PACKAGE IN A TIMELY MANNER."

Bill No. 221 "AN ACT TO AMEND SECTION 1 OF PART 1-DEPARTMENT OF PUBLIC HEALTH AND SOCIAL SERVICES, OF CHAPTER III OF PUBLIC LAW 29-19 TO INCREASE THE APPROPRIATION FROM FORTY-SEVEN MILLION THREE HUNDRED FIFTY-SIX THOUSAND ONE HUNDRED EIGHT DOLLARS (\$47,356,108) TO SIXTY-ONE MILLION THREE HUNDRED FIFTY-SIX THOUSAND ONE HUNDRED EIGHT DOLLARS (\$61,356,108) FOR THE PURPOSE OF FUNDING OBLIGATIONS IN THE MEDICALLY INDIGENT PROGRAM AND THE MEDICAID PROGRAM."

All of which I have vetoed in their entirety.

Had I allowed these bills to become law, this government would add an additional \$36 million to a budget already deficient by over \$40 million. These include \$11.5 million needed for the EITC settlement, \$10 million in retirees' insurance costs, \$14 million in MIP and Medicaid billings, and adds to the books some \$13.4 million in carry-over appropriations from FY 2007 unsupported by real cash. Just last week, I transmitted to the Chairman of the Committee on Finance, Taxation, Commerce and Economic Development, a request that the Legislature immediately address the funding shortfall of the health insurance benefits for our man'amko. Without the additional appropriation and the cash resources to support it, my Administration will be unable to cover the health insurance benefits for government of Guam retirees for the remainder of this fiscal year. The passage of legislation that increases the gap between appropriations and cash resources detects the unwillingness of the Legislature as a body to recognize the reality of our fiscal condition and the very real impact it is having on our entire island.

Aggravating this situation are several Court orders that will have to be paid at some point, some sooner than later. These include the permanent injunctions issued upon the Department of Integrated Services for Individuals with Disabilities and the Department of Mental Health and Substance Abuse and, just yesterday, the appointment of a federal receiver to oversee the closure of the Ordot Dump and the opening of a new landfill. This receivership jeopardizes our entire government's fiscal stability and our financial outlook in the bond market. While I recognize the importance of the programs and initiatives contained in these bills, I cannot place this government in a deeper deficit position.

Time and again, I have stressed the urgency of focusing our collective efforts on resolving the longstanding structural imbalance that a flawed budget process has created over the years. Along these efforts, my Administration offered a comprehensive Fiscal Recovery and Deficit Elimination Plan for use as a departure point to begin discussions to bring the growing deficit to a manageable level. Unfortunately, the Legislature quickly rejected my plan without proffering any solutions of their own.

The General Fund deficit is now at \$524 million or 125% of its annual revenues. The government's regular vendor payables alone have reached \$33 million, larger than the average deficit growth of an entire year during most of the last decade. This situation has forced the prioritizing of what we can't

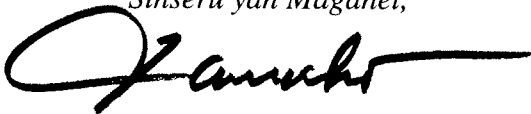
pay as opposed to what we can pay! A recent assessment of our cash equivalents to current liabilities revealed that we have only 3 cents to pay for every \$1 we owe. How do we prioritize between paying MIP and Medicaid vendors and paying police, firefighters, health professionals or, for that matter, paying all other vendors who drive this economy? Any additional burden through unsupported appropriations as proposed by these measures only exacerbates a budget that is already seriously challenged.

While the Legislature continues to ignore these financial realities by passing appropriation measures absent viable and available funding sources, my Administration continues to do what is within its ability to control this government's deteriorating situation. We've imposed a 5% reserve across-the-board to mitigate the cash flow impact. We've reduced overtime costs by 20% between 2006 and 2007 and an additional 10% this fiscal year. We've reduced regular salaries cost by 3% or \$3.2 million so far this fiscal year alone. We've withheld allotments for continuing and carryover appropriations, as well as other new appropriations, not supported by new revenues. We've maximized federal funds and reduced questioned costs from a critical high of over \$50 million down to just \$5.7 million. These are the small victories that do not make the headlines but chip away on the demands placed upon a government that is fiscally strained against the backdrop of a Legislative leadership oblivious to its plight.

I sincerely hope that no attempts are made to override my veto. To do so would send the wrong message to the federal court and the financial market in general. I, and members of my fiscal team, have warned of the very real and direct negative impact the financial condition of this government will have on our overall ability to provide even the most basic critical services to our community. Yet, empty appropriation measures continue to make their way out of the Legislature and on to my desk for action. Even as we face a large deficit and the potential for more than \$40 million in shortfalls this year, members of the Legislature continue to ignore the warnings of my administration and the financial markets by attempting to obligate this government to more than it can obviously pay.

I look forward to your leadership and ask for your commitment to join my Administration in finally addressing the serious financial challenges that we face. I ask that you and your colleagues to take seriously the federal receivership this government has been placed under and begin to work on a comprehensive plan to address both our short and long term financial challenges.

Sinseru yan Magahet,

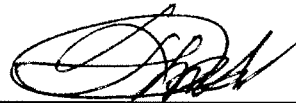


FELIX P. CAMACHO
I Maga'lahaen Guahan
Governor of Guam

I MINA'BENTE NUEBI NA LIHESLATURAN GUÅHAN
2008 (SECOND) Regular Session

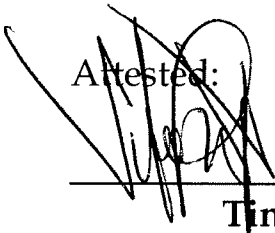
CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUÅHAN

This is to certify that **Bill No. 214 (LS)**, "AN ACT TO APPROPRIATE THE SUM OF TWELVE MILLION EIGHT HUNDRED THOUSAND DOLLARS (\$12,800,000) FOR DELINQUENT STREETLIGHT ARREARAGE OWED TO THE GUAM POWER AUTHORITY TO COMPLY WITH THE STIPULATION ISSUED BY THE GUAM PUBLIC UTILITIES COMMISSION IN RESPONSE TO THE GUAM POWER AUTHORITY PETITION FOR FISCAL YEAR 2008 BASE RATE RELIEF AS CONTAINED IN DOCKET 07-10," was on the 6th day of March, 2008, duly and regularly passed.



J. T. Won Pat
Speaker

Attested:



Tina Rose Muña Barnes
Senator and Secretary of the Legislature

This Act was received by *I Maga'lahaen Guåhan* this _____ day of _____, 2008, at
_____ o'clock _____.M.

Assistant Staff Officer
Maga'lahaen's Office

APPROVED:

VETO

FELIX P. CAMACHO
I Maga'lahaen Guåhan

Date: _____

Public Law No. _____

I MINA'BENTE NUEBI NA LIHESLATURAN GUÅHAN
2008 (SECOND) Regular Session

Bill No. 214 (LS)

As amended on the Floor.

Introduced by:

B. J.F. Cruz
R. J. Respicio
Judith Paulette Guthertz
v. c. pangelinan
A. B. Palacios, Sr.
Tina Rose Muña Barnes
D. L.G. Shimizu
J. T. Won Pat
Frank F. Blas, Jr.
Edward J.B. Calvo
James V. Espaldon
Mark Forbes
Frank T. Ishizaki
J. A. Lujan
Ray Tenorio

AN ACT TO APPROPRIATE THE SUM OF TWELVE MILLION EIGHT HUNDRED THOUSAND DOLLARS (\$12,800,000) FOR DELINQUENT STREETLIGHT ARREARAGE OWED TO THE GUAM POWER AUTHORITY TO COMPLY WITH THE STIPULATION ISSUED BY THE GUAM PUBLIC UTILITIES COMMISSION IN RESPONSE TO THE GUAM POWER AUTHORITY PETITION FOR FISCAL YEAR 2008 BASE RATE RELIEF AS CONTAINED IN DOCKET 07-10.

BE IT ENACTED BY THE PEOPLE OF GUAM:

Section 1. Legislative Findings. *I Mina'Bente Nuebi Na Liheslaturan Guåhan* finds that the Guam Power Authority (GPA) has petitioned the Guam

1 Public Utilities Commission (PUC) for rate relief on October 4, 2007, which would
2 result in additional revenues of \$26.9 million per year – a base rate increase of
3 19.72%, as stipulated before the PUC and contained in Docket 07-10.

4 As a result of a settlement conference, Georgetown Consulting Group
5 (GCG), the independent regulatory consultant of the Public Utilities Commission,
6 recommended that GPA be awarded, effective for meters read on and after March
7 1, 2008, an across the board increase in civilian base rates of 6.14%, excluding
8 civilian lifeline, and an increase of Department of Defense (DOD) base rates under
9 the Customer Service Agreement of 24.25%, which are projected to produce
10 additional annual revenues of Eleven Million Dollars (\$11,000,000).

11 The recommendation also provided that the civilian base rate increase and
12 the DOD base rate increase will be effective on March 1, 2008. Collection of the
13 civilian base rate increase and 5.8% of the 24.25% DOD base rate increase should
14 be immediately deferred until June 1, 2008. However, in the event that the
15 government of Guam pays on *or* before June 1, 2008 at least \$7.9 million of the
16 \$12.73 million delinquent streetlight arrearage (streetlight delinquency) it owes to
17 GPA, then the deferral of the civilian and DOD base rates described above should
18 continue in effect until March 1, 2009. In the event the government of Guam does
19 not make payment of at least \$7.9 million of the streetlight delinquency, then the
20 rate increases should be compressed to collect amounts deferred, less any amounts
21 paid by the government of Guam before June 1, 2008 and deferral of rates after
22 June 1, 2008 *shall cease*.

23 *I Liheslatura* further finds that the Fiscal Year 2009 Executive Budget
24 recently transmitted by *I Maga'lahañ Guåhan*, projects government receipts of
25 Forty-eight Million Three Hundred Fifty-one Thousand Two Hundred Twenty-two
26 Dollars (\$48,351,222) in Section 30 Funds, of which \$11.1 million is obligated to
27 debt service for the Limited Obligation (Section 30) Bonds Series A, and the 2002

1 Short Term Financing authorized by P.L.26-84 as amended by P.L. 26-122 and
2 P.L. 26-130 thus leaving available a net balance of \$37.2 Million, of which
3 sufficient funds can be obligated to pay off the entire delinquent street light
4 arrearage of \$12.73 Million.

5 **Section 2. Legislative Intent.** It is the intent of *I Liheslaturan Guåhan* to
6 give *I Maga'lahren Guåhan* the authority to pay the sum of \$12.73 Million in
7 delinquent streetlight arrearage pursuant to the Stipulation issued by the PUC in
8 Docket 07-10, relative to the GPA petition for Fiscal Year 2008 Base Rate Relief
9 on *or* before June 1, 2008 to avert the implementation of the rate increase.

10 **Section 3. Payment of Prior Year Street Light Arrearage Obligations**
11 **Authorized.** Notwithstanding any prohibition in P.L. 29-19 *or* any other statute, *I*
12 *Maga'lahren Guåhan* is authorized to pay all prior year obligations to the Guam
13 Power Authority for delinquent streetlight arrearage in order to avert the proposed
14 power rate increase set forth in the *Stipulation* filed in Docket 07-10.

15 **Section 4. Promissory Note Authorized.** *I Maga'lahren Guåhan* is
16 authorized to execute a Promissory Note with the Guam Power Authority to pay
17 the streetlight delinquency pledging Fiscal Year 2008 appropriations, *or* the
18 Section 30 Funds GovGuam anticipates receiving before September 30, 2008.

19 **Section 5. Authority to Borrow.** *I Maga'lahren Guåhan*, on behalf of
20 the government of Guam, is authorized to borrow *or* arrange for a line of credit *not*
21 *to exceed* Ten Million Dollars (\$10,000,000), and to execute a financial agreement
22 with any bank or commercial lending institution licensed on Guam, government of
23 Guam autonomous agencies or any other instrumentality of the government of
24 Guam. The terms of the loan *or* line of credit *shall* include the following:

25 (a) *I Maga'lahren Guåhan shall* use Ten Million Dollars
26 (\$10,000,000) of such loan for the purpose of paying delinquent streetlight
27 arrearage [streetlight delinquency] owed to the Guam Power Authority;

1 (b) prepaid charges *shall* not be levied by the bank *or* entity for
2 opening a line of credit;

3 (c) interest derived from the financial agreement *shall* be exempt
4 from taxation by the government of Guam;

5 (d) all terms of the financial agreement *shall* be negotiated by *I*
6 *Maga'lahaen Guåhan* in the best interest of the People of Guam;

7 (e) the interest rate *shall* be negotiated between *I Maga'lahaen*
8 *Guåhan* and the lender, such interest rate *shall not exceed* seven percent
9 (7%) per annum and *shall* be computed on a three hundred sixty-five (365)
10 day calendar year upon the actual amount extended to the government, and
11 to be paid annually;

12 (f) the loan *or* line of credit will be secured by a pledge of Section
13 30 funds;

14 (g) funds necessary for the repayment of the principal, interest and
15 other costs associated with the financing are to be paid from the dividends
16 and/or other income derived from the secured collateral. Interest earned on
17 collateral to be sufficient to cover interest due on the line of credit; and

18 (h) the expenditure of funds *shall* be subject to Section 8 of this
19 Act.

20 **Section 6. Appropriation from Fiscal Year 2008 Funds.** The sum of
21 *not more than* Twelve Million Eight Hundred Thousand Dollars (\$12,800,000) is
22 hereby appropriated from the General Fund to pay the street light delinquency
23 owed to the Guam Power Authority to avert the power rate increase proposed in
24 PUC Docket 07-10 subject to Section 8 of this Act.

25 **Section 7. Appropriation from Fiscal Year 2009 Funds.** The sum of
26 *not more than* Twelve Million Eight Hundred Thousand Dollars (\$12,800,000) is
27 hereby appropriated from Fiscal Year 2009 General Fund Revenues to pay the

1 street light delinquency owed to the Guam Power Authority to avert the power rate
2 increase proposed in PUC Docket 07-10 subject to Section 8 of this Act.

3 **Section 8. Joint Authorization/Appropriation.** *I Maga'lahaen Guåhan*
4 *shall* utilize any one (1) *or more* of the authorities contained in this Act to
5 effectuate the intent of this legislation, to pay off the streetlight delinquency in
6 order to avert the GPA power rate increase now before the Public Utilities
7 Commission in Docket 07-10. Upon the payment of the \$12.73 Million streetlight
8 delinquency to the Guam Power Authority, all additional authority and all unused
9 appropriations pursuant to Sections 6 and 8 of this Act *shall* cease, *except* for funds
10 identified for the repayment of any loan *or* line of credit authorized in Section 5 of
11 this Act.

12 **Section 9. Title 12 Guam Code Annotated, Chapter 8, §8104 (4) is**
13 ***amended to read as follows:***

14 “(4) Establish and modify from time to time, with approval of the
15 Public Utility Commission, reasonable rates and charges for electric service at least
16 adequate to cover the full cost of such service, including the cost of debt service,
17 and collect money from customers using such service and ensure that all
18 Government of Guam accounts remain current and all arrears have been collected
19 prior to requesting any increase in any rate or charge , all subject to any contractual
20 obligation of the Board to the holders of any bonds; and refund charges collected
21 in error.”

22 **Section 10. A new Subitem (14) is *added* to Title 12 Guam Code**
23 **Annotated, Chapter 8, §8104 to read as follows:**

24 “(14) Prepare and annually update a prioritized listing of government
25 of Guam accounts based on the government service provided at the location of
26 each account, to be known as the “List of Primary and Secondary Government of
27 Guam Accounts for Electrical Service” and identify each account as either a

1 Primary *or* Secondary office for purposes of disconnection whenever any
2 government of Guam entity is in arrears. For the purposes of this item (14):

3 (a) Only government of Guam entities with operating budgets that receive
4 more than fifty (50%) of their funding from the General Fund *shall* be
5 considered.

6 (b) Primary *shall* mean those offices of the government of Guam that
7 provide services which, *if* disconnected, would directly affect the health,
8 safety *or* education of the people of Guam and *shall* not be disconnected.

9 (c) Secondary *shall* mean those offices of the Government of Guam that
10 provide services which, if disconnected, would not have a direct effect on
11 the health, safety *or* education of the people of Guam and *shall* constitute
12 those accounts that may be disconnected whenever any government of
13 Guam entity is in arrears.

14 (d) The accounts on the List of Primary and Secondary Government of
15 Guam Accounts for Electrical Service list *shall* together be considered as a
16 single customer.

17 The first such List of Primary and Secondary Government of Guam
18 Accounts for Electrical Service *shall* be implemented *no later than* May 1, 2008.”

19 **Section 11. Cooperation with Guam Power Authority on Determination**
20 **of Primary and Secondary Government of Guam Accounts.** Entities of the
21 Government of Guam *shall* cooperate with the Guam Power Authority in
22 developing a “List of Primary and Secondary Government of Guam Accounts for
23 Electrical Service.” Any entity or any subdivision of any entity which does not
24 cooperate with the Guam Power Authority in development of the List of Primary
25 and Secondary Government of Guam Accounts for Electrical Service *shall* be
26 identified as a Secondary Account.

1 **Section 12. Bond Covenants Protected.** No provision of this Act *or* its
2 application to any person *or* circumstance *shall* violate the terms and conditions of
3 any bond covenant of the Guam Power Authority.

4 **Section 13. Severability.** *If* any provision of this Act or its application to
5 any person or circumstances is held invalid, the invalidity shall *not* effect other
6 provisions or applications of this Act which can be given effect without the invalid
7 provision or application, and to this end the provisions of this Act are severable.