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Human Services, Senior
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Development, and Election
Reform

I Mina'trentai Unu Na Liheslaturan Guahan

Senator Vicente (ben) Cabrera Pangelinan (D)

February 3, 2011

Mrs. Benita Manglona
Acting Director, Bureau of Budget & Management Research
Ricardo J. Bordallo Complex
P.O. Box 2950
Hagåtña Guam 96932

Mr. John Camacho
Acting Director, Department of Revenue and Taxation
1240 Route 16 Army Drive
Barrigada, Guam 96913

Mr. George Santos
Acting Director, Department of Administration
P.O. Box 884
Hagåtña, Guam 96932

RE: Fiscal Realignment Plan

Håfa Adai Directors,

As Chairman of the Committee on Appropriations, Taxation, Public Debt, Banking, Insurance, Retirement, and Land (Committee), the state of the government of Guam finances are of utmost importance. Over the past month there has been a slew of media reports driven by the Executive Branch regarding a fiscal crisis the government of Guam is facing. My position has been clear and has been supported and substantiated by verifiable and official reports and sources.

Such verifiable and official reports and sources include the first quarter Monthly Comparative Revenues and Expenditures Report (Report) as of December 2010, which was certified by the Acting Directors of the Bureau of Budget Management and Research (BBMR), the Department of Administration (DOA), and the Department of Revenue and Taxation (DRT). The Report clearly identifies that the actual revenues collected were below budgeted revenues by a mere 0.44%. This is after setting aside the 2% reserve for deficit reduction which amounts to approximately \$2 million dollars.

With these facts readily available, it appears that the Executive Branch continues to convey the message to the people of Guam that the government is facing a fiscal crisis which has prompted the Governor to call for a review of the budget and recommended reductions in

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appropriations levels. I applaud any and all efforts of cost-containment and austerity measures that eliminate waste and do not impact services; however, the cancellation of the **Government of Guam Competitive Wage Act of 2011** does not fit into the criteria of eliminating waste.

Using the alarm of fiscal crisis to depart from the *Annual Appropriations Act of 2011* (Budget Act) without declaring a state of emergency is a dangerous departure from our democratic foundation. A legal and more appropriate course of action to deal with Fiscal Year budgetary shortfalls is for the Executive Branch to submit a Fiscal Realignment Plan (FRP) as required in Title 4 § 4109(f) of the Guam Code Annotated. The statute requires the directors of the BBMR, DOA, and DRT to submit such a plan thirty (30) days after the close of each quarter of the fiscal year if "actual revenues collected are three percent (3%) or more, less than revenue projections adopted by the annual Budget Act." This FRP may include "cost-containment and austerity measures, governmental reorganization plans and other such actions." Based on Q1 revenue collections, there is no statutory requirement for BBMR, DOA, and DRT to submit an FRP which is why, I assume, one was not submitted.

Nonetheless, the fiscal crisis consistently espoused by the current administration throughout January must move beyond the press release phase and into the action phase. The Administration must identify what outstanding obligations (not included in the FY2011 Budget Act) it intends to pay and submit a supplemental budget request identifying either new revenues or the plan to re-program revenues already appropriated for such payments. If the Governor does not intend to submit a supplemental budget, he may exercise transfer authority within the limits and in conformance to notification requirements as provided in the Budget Act—to include the filing of the FRP.

I am calling on the Governor on his promise of transparency to clearly state what his administration intends to pay for with the funding from the **Government of Guam Competitive Wage Act of 2011** appropriation or what already-budgeted funding source will be tapped to pay for the unfunded increase in the Calvo's SelectCare Health Insurance Contract. To my knowledge there has yet to be any proposal from the Executive Branch to modify the Budget Act.

It is my hope, therefore, that the Calvo Administration Fiscal Policy Team present to my committee justification and an FRP, inclusive of a supplemental budget for Fiscal Year 2011 no later than February 11, 2011.

Based on the Report that you all have certified, I am confident you would agree that there is a conflict present as was pronounced by the decision to cancel the government of Guam employee pay raises. Without regard of the fact that the pay raises were already budgeted by law, there was no justification nor was there an FRP for the decision.

Unless there is sufficient justification and an FRP, I will be forced to move legislation to correct the current conflicting policy of the Calvo Administration.

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If you have any questions or concerns, please contact my office at 473-4236.

Si Yu'os Ma'åse',

Vicente (ben)  Cabrera Pangelinan
Senator

cc: Governor of Guam
Lieutenant Governor of Guam
Attorney General of Guam
All Senators

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