



## Office of the Governor of Guam

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Felix P. Camacho  
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JAN 29 2010

The Honorable Judith T. Won Pat, Ed.D.  
Speaker  
*I Mina' Trenta Na Liheslaturan Guåhan*  
155 Hesler Street  
Hagåtña, Guam 96910

Dear Madam Speaker:

*Hafa Adai.* Pursuant to 5 G.C.A. § 4107, transmitted herewith is the proposed Fiscal year 2011 program and financial plan for the Government of Guam.

When this Administration took the helm back in 2003, we immediately recognized our most daunting challenge would be addressing the government's huge deficit, handed over at \$229 million. The stage for recovery was set against the backdrop of an economy tattered by the Asian economic downturn of the late nineties, the attack on America in September 2001, a ravaging super typhoon Pongsona in December 2002, and the Bush tax cuts of 2003, all resulting in nearly \$200 million in lost revenues. The deficit was further aggravated by a Court settlement entered since 2004 related to the Earned Income Tax Credit (EITC) and a Court judgment in the Cost of Living Allowance (COLA) for retirees, both of which added \$214 million to the deficit by 2006. These amounts represent over fifty percent (50%) of the current General Fund deficit.

Over this turbulent decade, Guam passed a number of legislative and budgetary measures toward fiscal recovery as a part of its overall plan of finance. These initiatives included the temporary adjustment to the gross receipts taxes which pumped into the economy some \$70 million between 2004 and 2005. An additional \$60 million was recovered through the repeal of the Visible GRT, the Dave Santos Act amendment, increases to certain department fees and charges, and various pre-military buildup construction activities since 2006. Alongside these efforts to prevent further erosion of our revenue base, strict expenditure controls became permanent policy across the government. The struggles and years of frugal spending and sacrifices made by government employees, to include suspension of their annual increments, finally started showing positive results in the deficit reduction of \$14 million in FY 2007, \$86 million in 2008, and by an estimated \$200 million in FY 2009.

Through bipartisan efforts across the Legislature, three (3) bond initiatives made its way to market in 2008 and 2009, paying some \$260 million of the accumulated deficit, to include COLA, EITC, Tax Refunds, and Retirement liabilities. These were the direct result of Guam's improved financial performance, demonstrating positive trends in both revenue collection and