



**EDDIE BAZA CALVO**  
*Governor*

**RAY TENORIO**  
*Lieutenant Governor*

## *Office of the Governor Of Guam.*

January 31, 2017

Honorable Benjamin F. Cruz  
Speaker  
34<sup>th</sup> Guam Legislature  
155 Hesler Place  
Hagåtña, Guam 96910

Dear Mr. Speaker:

We ended last fiscal year with a surplus and will very likely end this fiscal year under budget, thanks to the sacrifices and dedication of the government of Guam employees and the fiscal policies of both my administration and your former Committee on Appropriations and Adjudication. Enclosed is my budget proposal for Fiscal Year 2018, which follows this upward trajectory and will reduce the deficit further by conservative revenue projections and lean operational departmental budgets.

The professionals at the Bureau of Budget and Management Research, basing a portion of their outlook on the analysis by Chief Economist Gary Hiles, project a five percent growth in General Fund Revenues from this year's adopted level. Of this \$885.2 million, \$125 million was set aside for tax refunds, along with \$23.1 million in various General Fund set asides and \$14.7 million to reduce the deficit. This leaves \$722.4 million available for appropriation.

We propose increases to the operational authority of both the Legislature and the Judiciary, for those branches to allocate, independent from the executive budget. And, we prioritized the balance of this \$41 million increase (over the current year's level to operate the government) to programs and services for children, the people's safety, medical care, our veterans, improvements to our fiscal plants, and the retention of our employees.

The budget increases we propose include:

- Purchase of new school buses
- Hiring of firefighters
- Hiring of police officers
- Hiring of corrections officers
- Filling of vacancies and promotions within the fire and police departments
- More money for the Guam Memorial Hospital (GMH)
- Fully funding the retirees' medical, dental, and life insurance
- Funding for retirees' Medicare premiums
- More money for the Department of Education
- Hiring of staff to improve veterans services
- Funding of the triennial Compensation Study

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- Funding of the triennial real property revaluation
- Additional staffing for the procurement and technology offices, along with the Division of Accounts at the Department of Administration to improve public services
- Operational funding for the Governor’s Office, the Legislature, the Judiciary, Public Works, Chamorro Affairs, Election Commission, and various smaller amounts for several agencies.

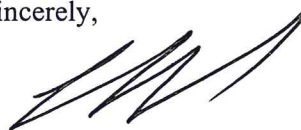
Please allow me to comment on two issues with regard to this upcoming budget year and GovGuam’s fiscal solvency in general.

First, you will notice that GMH’s budget allocation is increasing yet again. Our only public hospital will never be able to catch up with its resource shortfall if we do not make the vitally needed investments to modernize our hospital. The hospital will continue to be underfunded because it is required to take in all patients whether or not they have the ability to pay for medical services. Despite recent improvements in both billing and collections, GMH is constrained by facility requirements needed to embark upon new services and procedures such as its plans for a Cardiac Center. Absent this investment in facility improvements our taxpayers will continue footing the bill via General Fund subsidies as opposed to supporting GMH’s growth in both services and revenues from an expanded and modernized facility. We have an opportunity to fix GMH’s systemic budget issues while taking medical care on our island to the next step and giving our people the quality and standard of medical care that most seek off-island. I implore the Legislature to work with me in realizing this vision for all our people. To this end, I have revitalized my efforts to assist GMH by including a provision in the FY 2018 budget request which would appropriate \$11.6 million to GMH for capital improvement projects resulting from legal or administrative actions I intend to pursue against the Guam Solid Waste Authority for debt service reimbursement.

Secondly, we need to find a way to buy our employees and retirees into the Social Security program. The instability of the pension fund, and the recent increases to its unfunded liability, pose a serious risk to GovGuam’s solvency. Every year, we see more and more of the taxpayers’ money paying for the unfunded liability of the Retirement Fund. It is no different this upcoming year. As a matter of fact, spending on the unfunded liability will only increase over the next few years. We have to stop this fiscal nightmare from unfolding.

Overall, and despite the often cantankerous rhetoric that fills the political atmosphere, I’m quite proud of the checks and balances between our two branches that have led to a manageable and steady fiscal environment. I know we will not always agree on the priorities of spending, and we may not agree on revenue projection levels either. But I am here to work with you and compromise for the betterment of Guam. My fiscal team is available to you. We are all just a phone call away, if you would like to work on this budget together.

Sincerely,



**EDDIE BAZA CALVO**  
Governor of Guam

