



NEWS

BLOOMBERG: CALVO TRUSTED BY "LANDSLIDE" MARGIN

Bloomberg published another positive story about Guam. It was about how well Guam is doing under the leadership of Governor Eddie Baza Calvo. In the first paragraph of the article, Brian Chappatta writes of Governor Calvo, ***"If bondholders had a vote, he might win by a landslide."*** There's a link below you can click to read the full story.

The tough, unpopular decisions that made the difference

Chappatta asked Governor Calvo about his cost-cutting initiatives. When he stepped into office, he cut millions in bi-weekly spending on raises GovGuam could not afford. He cut millions in rent, power consumption, travel costs, contractual costs, potential hires, debt service (via refinancing), and health insurance costs (while increasing benefits). To set the example of austerity, Governor Calvo and Lt. Governor Ray Tenorio, along with their senior staff, cut their own pay by 10 percent for the duration of the austerity measures.

Financial restructuring saves GovGuam millions

Gov. Calvo took office with a government straddled by massive debt. This included over \$300 million in unpaid tax refunds (UTRs), or three full years' worth. The problem with these UTRs was the compounding interest rate and the fact that the government had not paid refunds on time for the past 20 years. Worse, taxpayers would have waited even longer, or the government would have been forced to lay off nearly the entire workforce to abide by the District Court's six-month-ruling.

Luckily, that ruling has never been exercised, because Gov. Calvo – for the first time since former Gov. Joe Ada two decades ago – began paying refunds within the 6-month period about a year before the court ruling. He was able to do that by lessening the cost of interest to be paid by the people of Guam. This reduced interest rate on the UTRs from a high of 9% to 4.9% over the life of the loan saved us hundreds of millions in debt payments. This caught up the UTRs, gave breathing room for other fiscal policies to catch up completely, and saved hundreds of millions in financing costs. By taking swift action the governor ensured that taxpayers would no longer wait for their tax refunds. More importantly, government would continue to provide essential services to the people.

Fiscal priorities

The savings from the cost cuts were prioritized to tax refunds, public school resources for higher learning standards, hospital subsidies, health outreach, hiring of law enforcement officers, paying down liabilities, and economic stimulus.

Making good on empty promises others made to the employees

Almost every payroll promise made to GovGuam's employees over the 20-year deficit period was broken from them. As soon as the refunds were caught up, Gov. Calvo embarked on a massive campaign to make the employees whole. He issued out merit bonuses, pay raises, promised compensation, and increments that had not been paid in up to 20 years.