

Government of Guam
Debt Ceiling Calculation
Per P.L. 29-19

Analysis

OPA Report No. 07-13
October 2007



OFFICE OF THE PUBLIC AUDITOR

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Distribution:

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OFFICE OF THE PUBLIC AUDITOR

October 23, 2007

Honorable Alicia Limtiaco
Attorney General
Office of the Attorney General
287 West O'Brien Drive
Hagatna, GU 96910

Dear Attorney General Limtiaco:

In September 2007, the Office of the Public Auditor issued OPA Report No. 07-10, Government of Guam Debt Ceiling Calculation. In this report, we calculated the debt ceiling to be \$406.9 million as of October 2006. On October 18, 2007, we received an email request from your office to re-calculate the government of Guam's debt ceiling in accordance with the provisions of Public Law (P.L.) 29-19, Chapter X, Section 5.¹

In March 2007, the U.S. Supreme Court ruled that public indebtedness (debt limit of the government of Guam) must be calculated based on 10% of the assessed valuation of property in Guam.² Title 11 of the Guam Code Annotated (G.C.A.) § 24102 defined the assessed value of property as 35% of the appraised value of property. However, P.L. 29-19 amended the definition of assessed value to be calculated as 70% of the appraised value of property.

The appraised value of property in Guam as reported in the 2006 certified tax roll of the Department of Revenue and Taxation's Real Property Tax Branch as of October 2006 is \$11.6 billion. In accordance with P.L. 29-19, the new assessed value as of October 2006 is \$8.1 billion. Based on our re-calculation, the government of Guam debt ceiling as of October 2006 is \$813.7 million. As of December 31, 2006, the total government of Guam debt subject to the debt ceiling is \$251.6 million. Therefore, the new amount available for additional bond borrowing by the government of Guam is \$562.1 million as of December 31, 2006. See attachment for calculations.

Senseramente,

Doris Flores Brooks, CPA, CGFM
Public Auditor

Cc: Deputy Attorney General J. Patrick Mason

Attachment

¹ P.L. 29-19 was passed on September 23, 2007 and signed into law on September 29, 2007.

² U.S. Supreme Court, *Limtiaco v. Camacho*, 06-116.

ATTACHMENT

TOTALS

2006 Certified Tax Roll Appraised Value	
Land	\$ 6,597,788,439
Building	5,026,828,985
Total	<u>\$ 11,624,617,424³</u>
2006 Certified Tax Roll Assessed Value	
Land	\$ 4,618,451,907
Building	3,518,780,289
Total	<u>\$ 8,137,232,197⁴</u>
Debt Limit (Ceiling)	
10% of Assessed Value ⁵	<u>\$ 813,723,220</u>
Less Government of Guam Debt (Balance as of December 31, 2006)⁶	
Government of Guam General Obligation Bonds, 1993 Series A	\$ 110,975,000
Government of Guam \$10 million loan as per P.L. 26-84	6,682,479
Subtotal- General Obligation Bonds	<u>\$ 117,657,479</u>
Government of Guam Limited Obligation Infrastructure Improvement Bonds, 1997 Series A	\$ 46,585,000
Government of Guam Limited Obligation Highway Refunding Bonds, 2001 Series A	31,070,000
Government of Guam Limited Obligation (Section 30) Bonds, Series 2001 A	43,110,000
University of Guam (UOG) Rural Development Loan (P.L. 26-48)	13,192,689 ⁷
Subtotal- Limited Obligation Bonds	<u>\$ 133,957,689</u>
TOTAL Government of Guam Debt Subject to 10% Assessed Value Limitation (Ceiling), as of 12/31/06	<u>\$ 251,615,168</u>
Amount Available for Future Debt Obligation	<u>\$ 562,108,051</u>

³ Department of Revenue & Taxation 2006 Certified Tax Roll (October 2006).

⁴ P.L. 29-19, Chapter X, Section 5.

⁵ U.S. Supreme Court, *Limtiaco v. Camacho*, 06-116.

⁶ The debt balances were not changed from those previously reported in OPA Report No. 07-10. According to the bond indenture schedules, certain principal payments would have been paid between January 2007 and September 2007. Therefore, the total government of Guam debt subject to the debt ceiling as of October 2007 may differ from these balances.

⁷ A minimum of \$500,000 is annually paid by the Territorial Highway Fund (funded by the Mass Transit Automotive Surcharge pursuant to P.L. 26-48) to pay down this loan. This surcharge is an excise tax that is also used to fund other government debts and activities. Therefore, as interpreted by the Office of the Attorney General, the loan must be included as a debt when calculating the government's debt ceiling as mandated by Section 11 of the Organic Act.

Do you suspect fraud, waste, or abuse in a government agency or department? Contact the Office of the Public Auditor:



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- Visit our website at www.guamopa.org;
- Call our office at 475-0390;
- Fax our office at 472-7951;
- Or visit us at the PNB Building, Suite 401
In Hagåtña

All information will be held in strict confidence.