

FY 2011
Government of Guam
Revenues Presentation

By: Office of Finance and Budget

THE BUREAU OF ECONOMIC ANALYSIS (BEA) RELEASES ESTIMATES OF THE MAJOR COMPONENTS OF GROSS DOMESTIC PRODUCT FOR GUAM

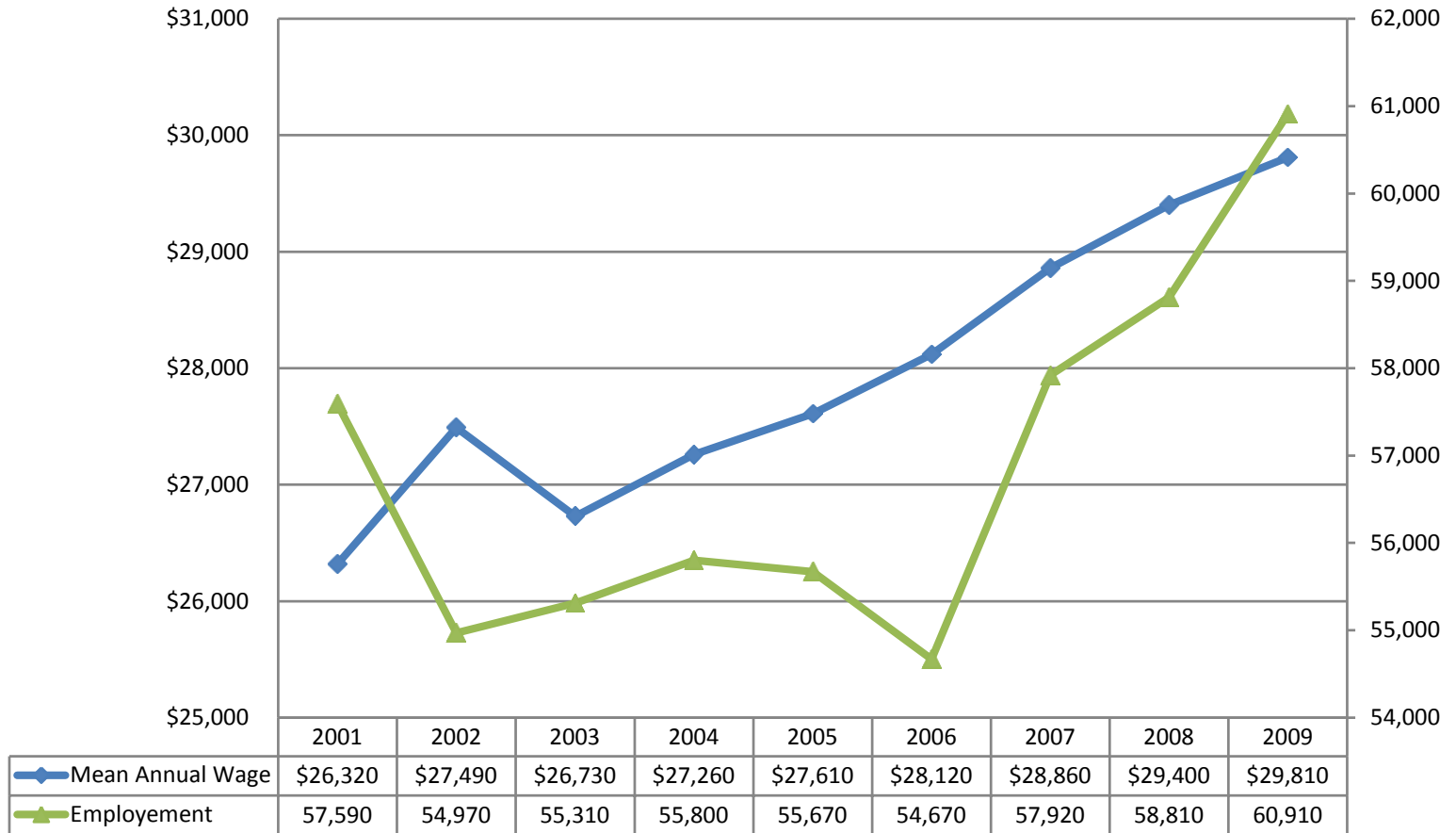
HAGATNA, GUAM (June 14, 2010) – Today, the Bureau of Economic Analysis (BEA) is releasing its first set of estimates of the major components of gross domestic product (GDP) for Guam.¹

Objectively gauging changes in economic activity is difficult in the absence of comprehensive economic metrics, such as the GDP. Until now, a framework did not exist to estimate the GDP of Guam. The Statistical Improvement Program, funded by the Office of Insular Affairs (OIA) of the U.S. Department of the Interior, has made it possible for BEA to develop formal methodologies for measuring the GDP of Guam.

Summary Statistics for Guam							
	2002	2003	2004	2005	2006	2007	2002-2007 AAGR ¹
GDP (millions of dollars)	3,568	3,542	3,846	4,100	4,176	4,280	3.7%
Real GDP (millions of chained 2005 dollars)	3,651	3,643	3,936	4,100	3,959	3,988	1.8%
Population ²	161,057	163,593	166,090	168,564	171,019	173,456	1.5%
Real GDP per capita (chained 2005 dollars)	22,669	22,269	23,698	24,323	23,149	22,991	0.3%

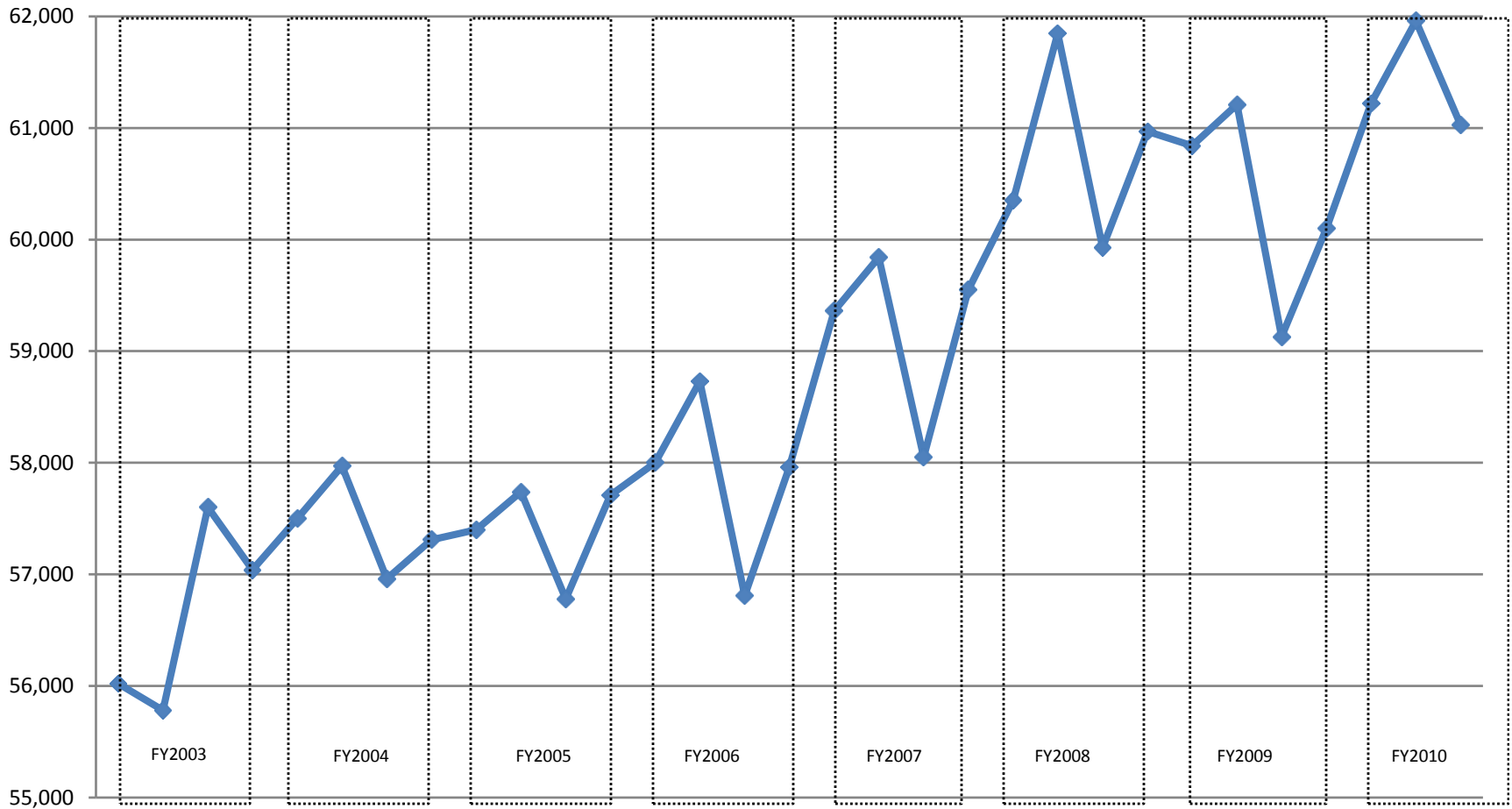
1. Average annual growth rate. 2. Source: U.S. Census Bureau, International Database.

Guam Occupational Employment Statistics



Source: Bureau of labor Statistics, Survey performed in May of each year
http://guamdol.net//BLS/OES_Historical_Summary.xls

Guam Employees on Payroll FY2003 to FY2010 by Quarter

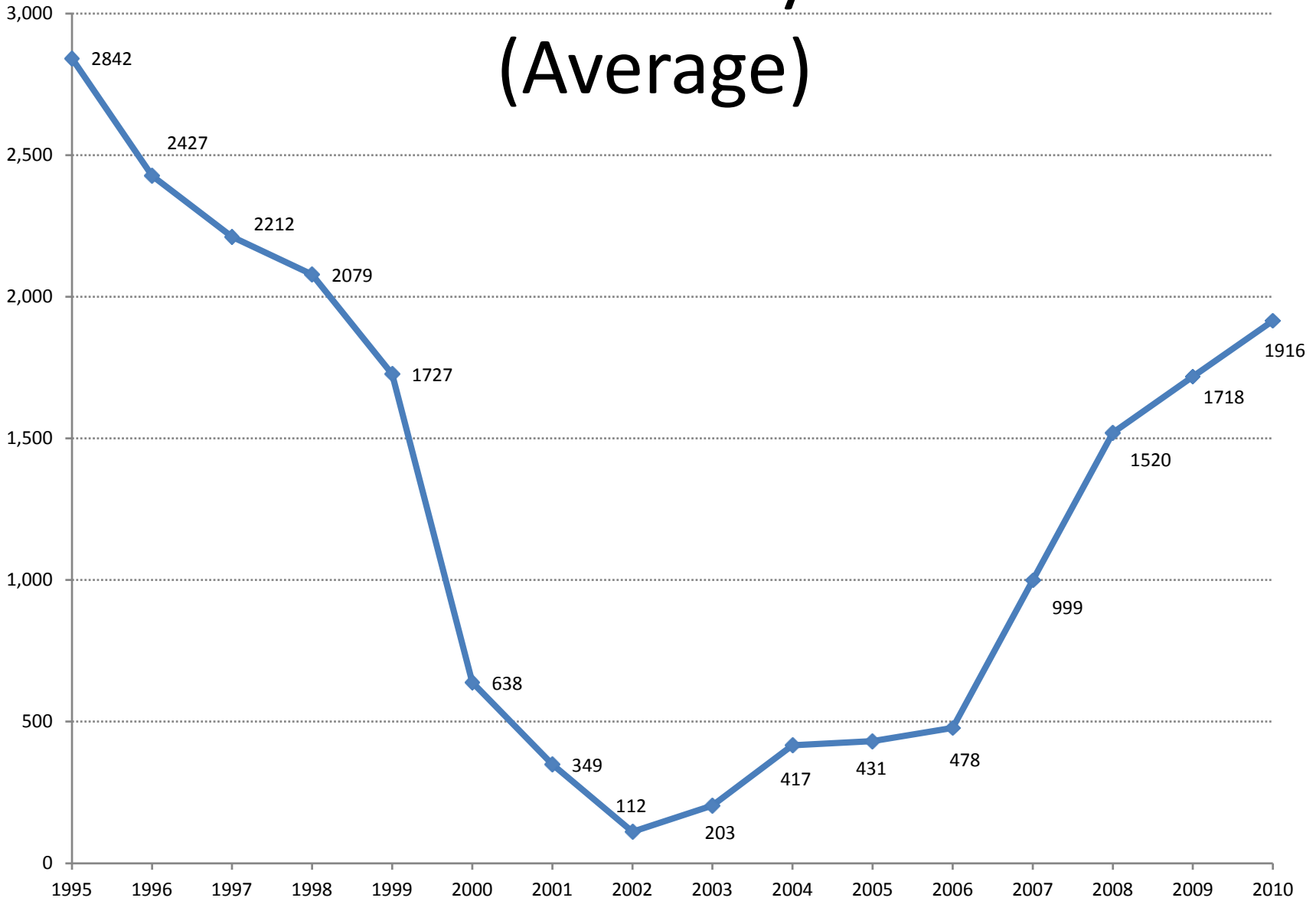


Source: Guam Department of Labor, Current Employment Statistics

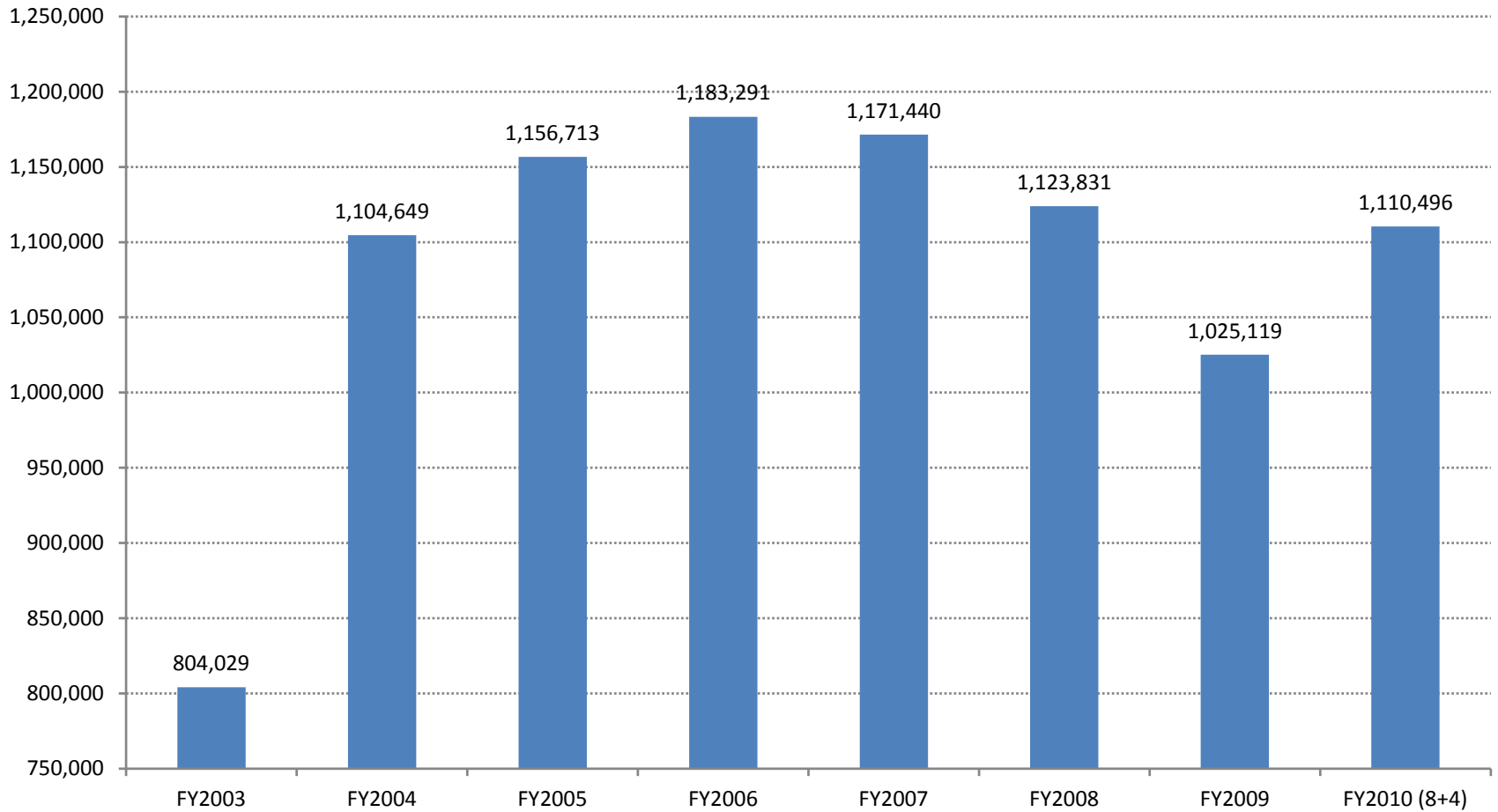
<http://guamdol.net/content/view/358/226/>

<http://guamdol.net/content/view/426/226/>

Guam H-2B Monthly Workforce (Average)

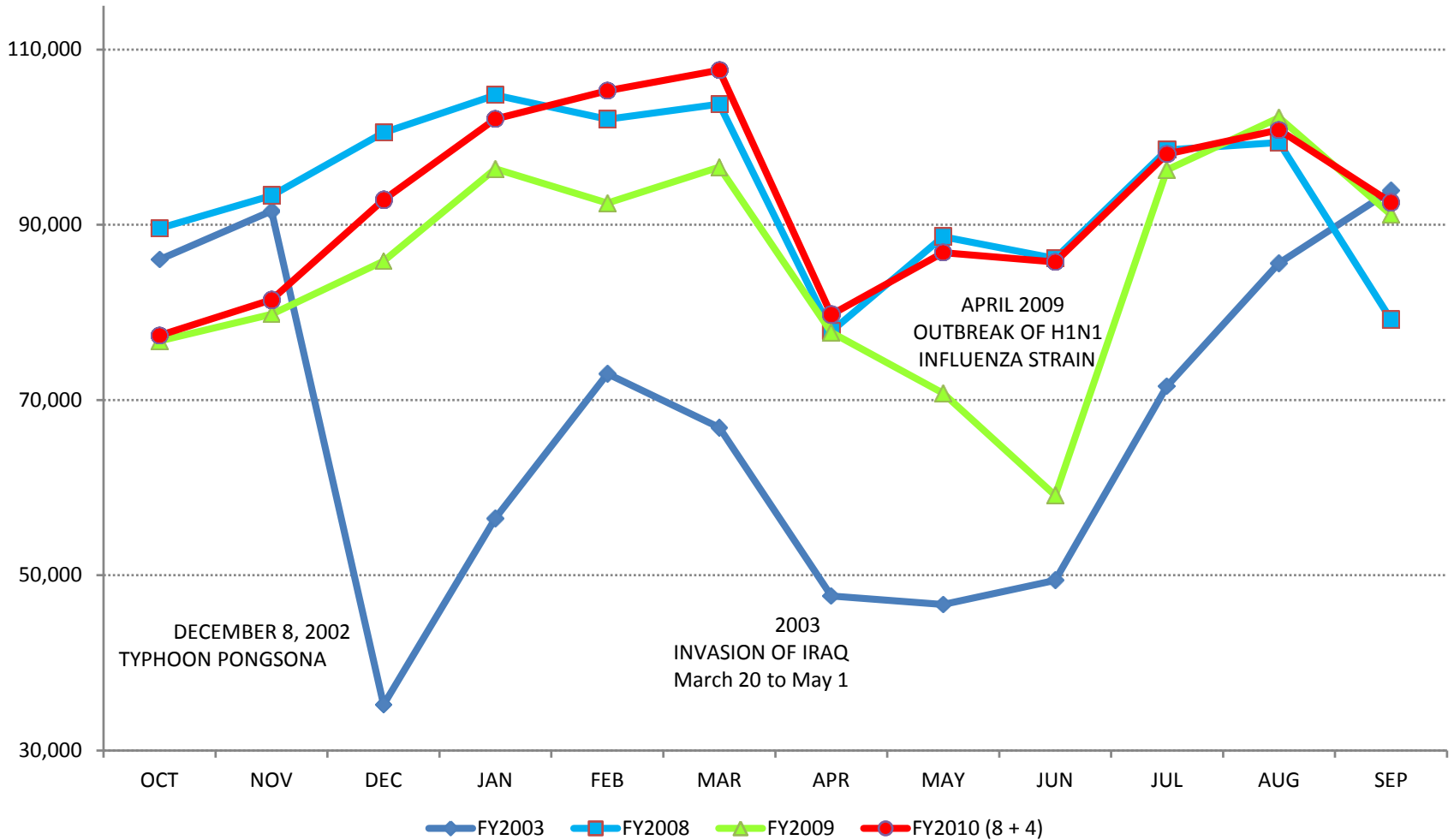


Guam Total Visitor Arrivals by Fiscal Year



Source: Guam Visitors Bureau

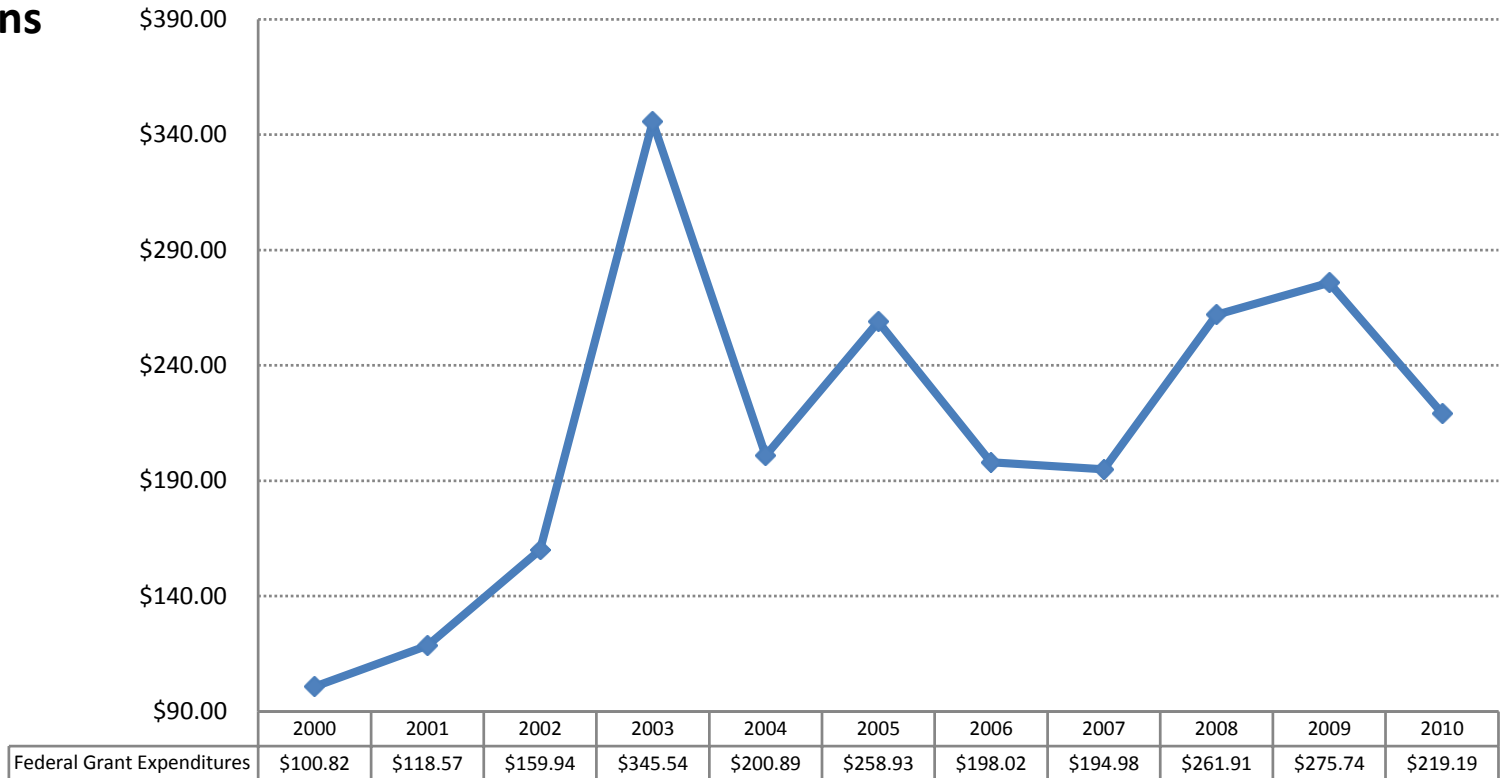
Guam Visitors Arrivals by Month by Fiscal Year



Source: Guam Visitors Bureau

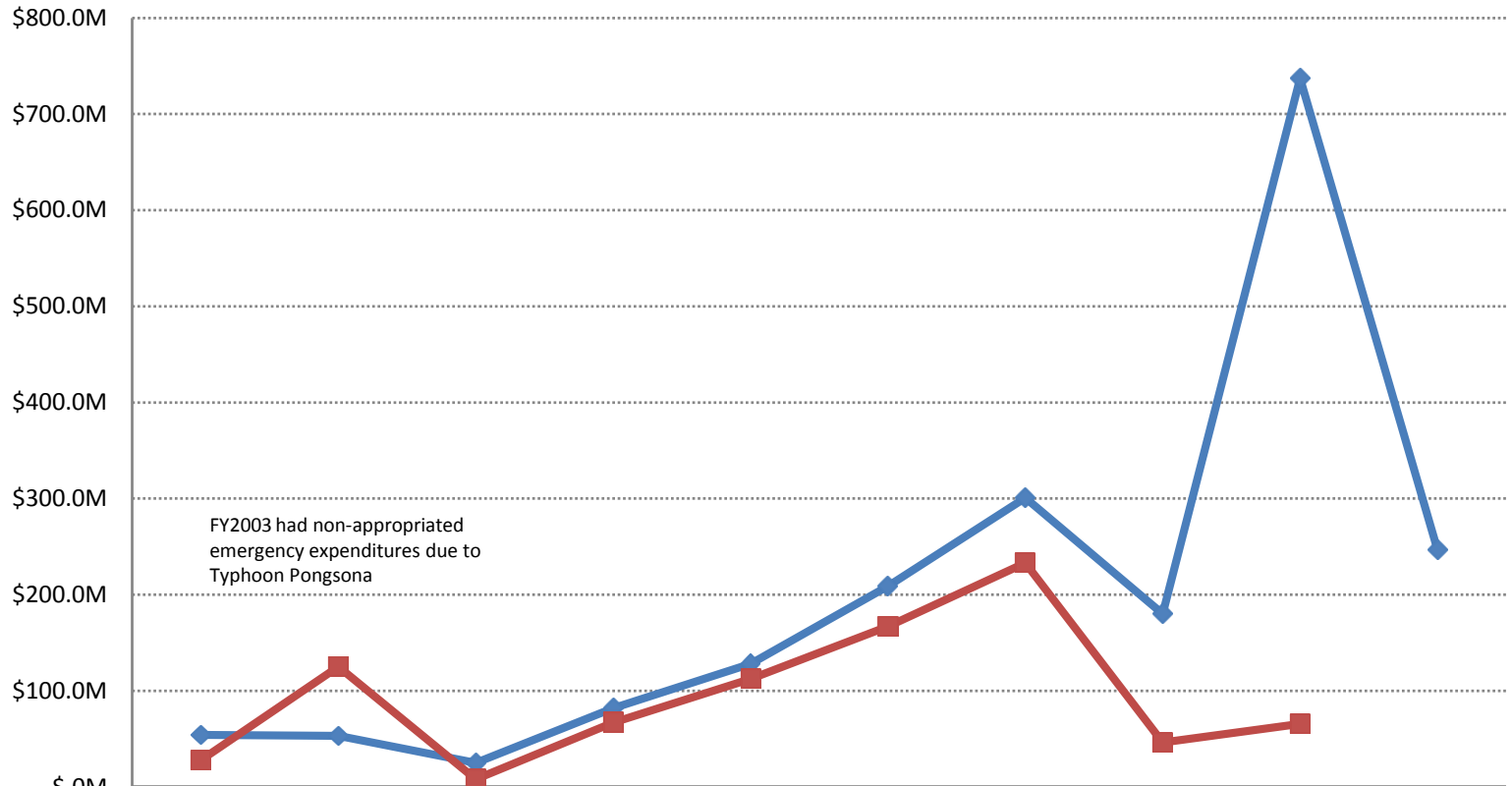
Guam Federal Grant Expenditures by Fiscal Year

Millions



Source: <http://www.usaspending.gov> as of July 2, 2010
FY2010 not complete

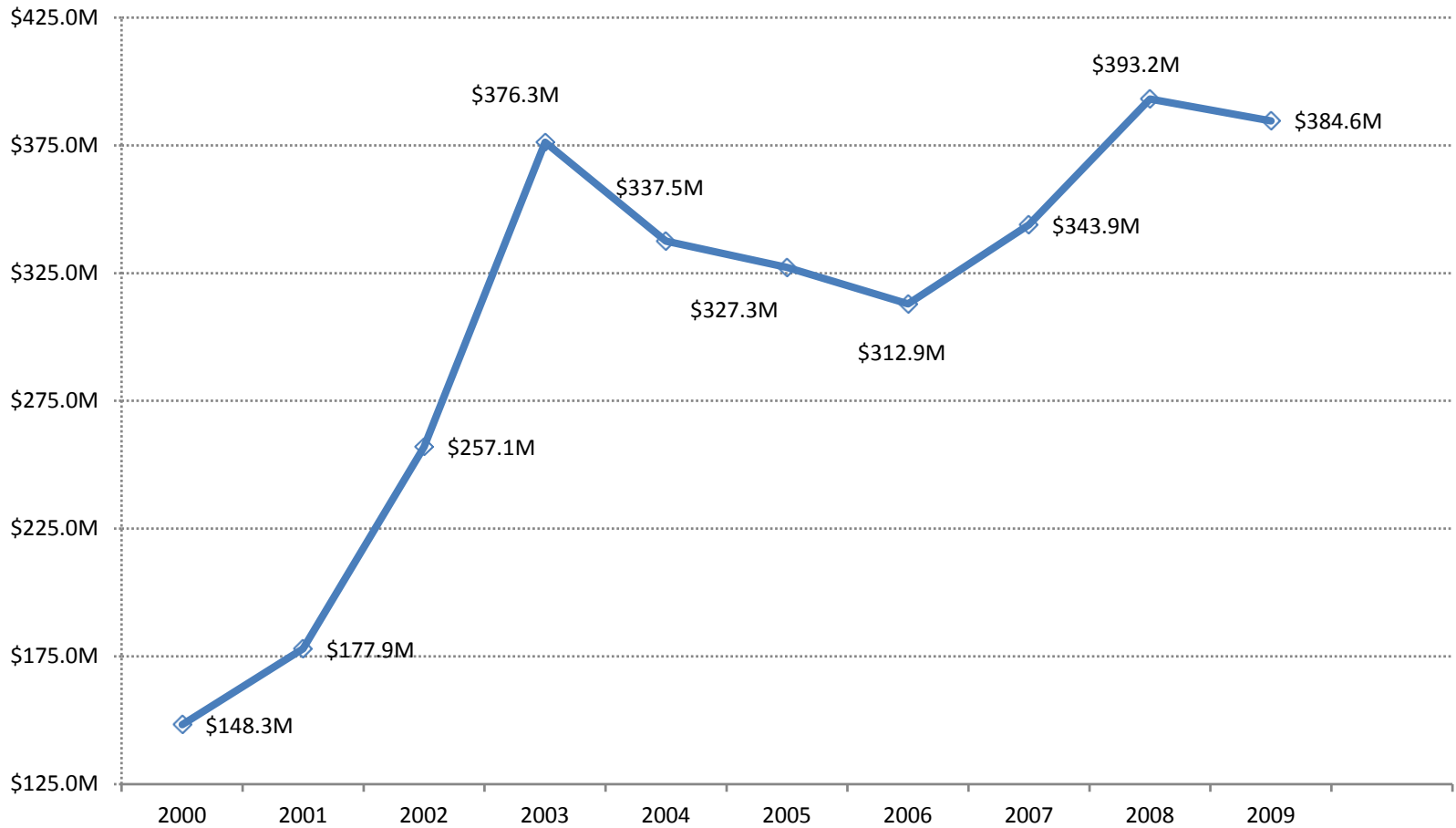
Military Construction on Guam by Fiscal Year



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
—◆— APPROPRIATIONS	\$54.3M	\$53.0M	\$24.9M	\$82.0M	\$128.2M	\$208.9M	\$300.9M	\$179.9M	\$737.3M	\$246.8M
—■— EXPENDITURES	\$27.9M	\$125.2M	\$8.0M	\$66.7M	\$112.2M	\$166.8M	\$232.9M	\$46.3M	\$65.5M	

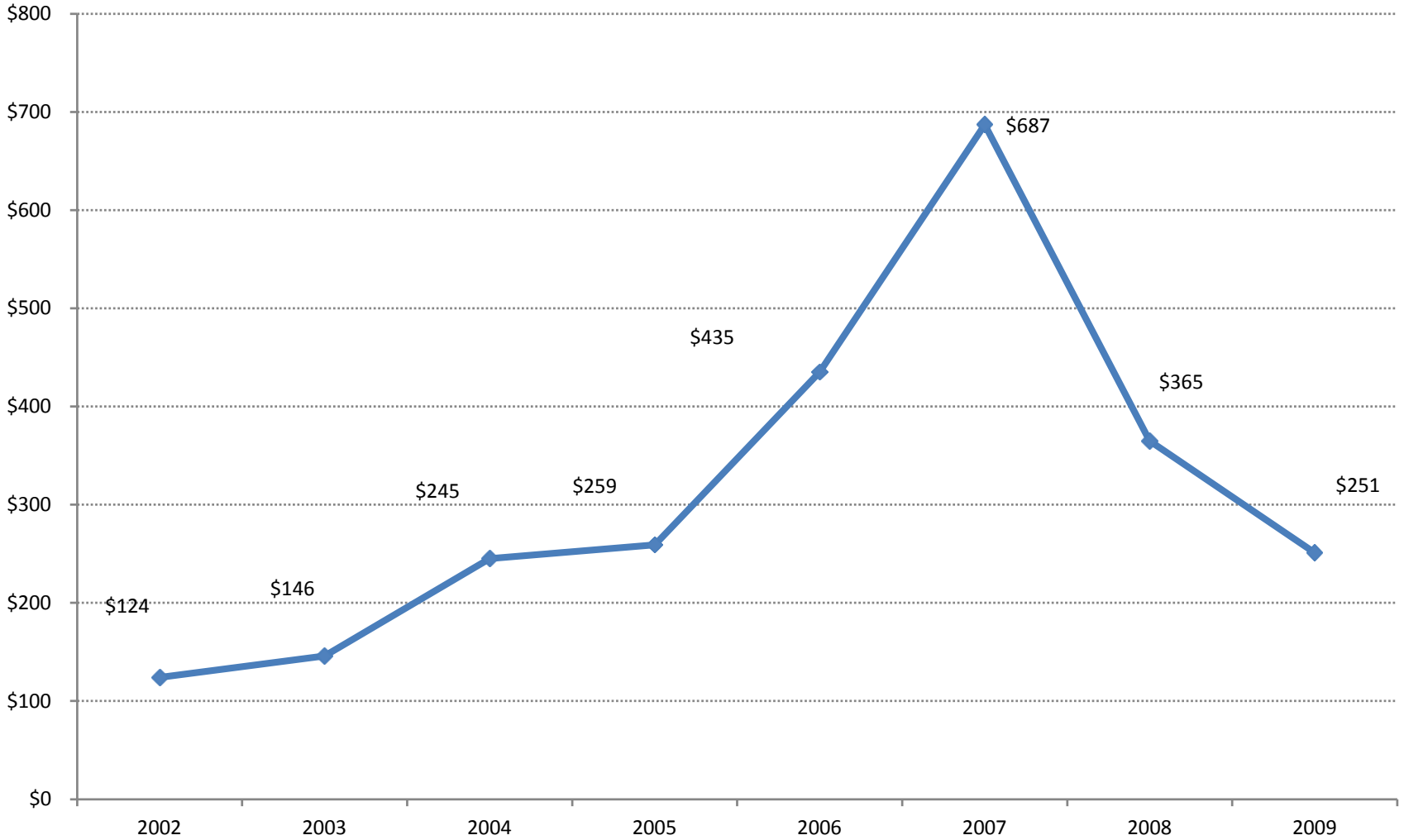
Source: <http://www.usaspending.gov> as of June 23, 2010

Military Expenditures on Guam (Excluding Construction) by Fiscal Year



Source: <http://www.usaspending.gov> as of June 23, 2010

Guam Real Estate Sales (Millions)



Source: Captain, Hutapea & Associates

FY 2011

General Fund Revenue Projection

(in Millions)

Net Income Tax Base	\$251.13
GRT	\$184.41
Total Tax Revenue	<u>\$435.53</u>
Other Sources	\$12.19
Section 30 (FY 2011 Request)	\$46.36
Subtotal	<u>\$494.08</u>
Baseline Provision	<u>\$78.35</u>
Gross General Fund Collections	<u>\$572.43</u>
PEV	\$50.37
Tax Credit Reconciliation	<u>\$28.50</u>
Total Estimated FY2011 Collections	<u>\$651.30</u>
Expiration of Bush Tax Cuts	---
Expiration of MWPC and reversion of W/H Tables	---
FY 2011 Estimated Provision	(\$100.06)
Appropriations Cap of 98%	<u>(\$11.02)</u>
Total Available for Appropriation	<u>\$540.21</u>

SAS Meeting – June 2010

- Labor update by SES member Gary Hiles
 - Payroll up 5% due to increment of minimum wage, increase in H2 prevailing wages effective upon renewal and job growth.
- Q3 current employment report up seasonally 3.2%; average through 3 quarters up 1.4% over same period last fiscal year.

SAS Meeting – June 2010

- Tourism update by SES member Debi Phillips
 - Visitor Arrivals trending at 1,127,631
 - Additional flights; JIN Air and Haneda charters
 - Rapid growth in Korean Market
 - Seat capacity from Japan up 11%
 - Trend is steady
- July preliminary visitor arrivals up 9.7%

Guam Related NAVFAC Activity 2010

- October 2010 Six firms competitively selected are: Chugach World Services, Inc., Anchorage, Alaska; DF Joint Venture, Fargo Pacific, Inc., Guam Pacific International, LLC, GSI-ASI JV LLC, and Techni-Con, Inc. will compete for a total of \$100 million in contracts for renovations, modernization, and routine repair and maintenance of government shore-based facilities in Guam and the Northern Marianas Islands.
- July 2010 \$23.41 million task order (0001) was awarded to dck-ecc pacific guam llc for new two-story consolidated training, submarine learning center (SLC), and headquarters facility; and a one-story torpedo exercise support facility.
- July 2010 \$6.6 million firm-fixed-price task order July 13 to P&S Construction, Inc. of Lowell, Mass., for the design and construction of a new Navy Exchange minimart and gas station on U.S. Naval Base Guam.
- May 2010 \$5.9 million solar photovoltaic project represents one of three components in the Navy's \$34.1 million initiative to reduce energy consumption on Guam through its Energy Savings Performance Contract awarded April 2009 to Johnson Controls Government Systems, LLC.
- \$4 billion maximum capacity, indefinite-delivery indefinite-quantity (IDIQ) design-build multiple award construction contract (MACC) today to seven companies for construction projects at sites in Guam and other areas in the NAVFAC Pacific area of responsibility (AOR).
- April 2010 \$18.4 million firm-fixed-price contract March 10 to dck pacific guam, LLC of Barrigada for the design and construction of the new Guam Army National Guard Readiness Center.
- January 2010 \$5.6 million awarded to Reliable Builders and one of the first task orders issued against a Hub Zone design-build (DB) multiple award construction contract (MACC).

H-2B workers beyond FY 2010

- 1,922 workers on Guam as of June 2010
- Consolidated Natural Resources Act of 2008 excludes Guam and CNMI from cap on Nonimmigrant workers effective 2009 through 2014.

Adjustments Outside Revenue Base

Prevailing Economic Variables

(in Millions)

		SAS Recommend- ation
1) Construction		
a) Military - Direct and Indirect	\$20.61	
b) Government of Guam	\$12.25	
c) Private Sector	\$2.98	
2) Military Operations - Direct and Indirect	\$1.81	
3) Income Tax (Base Growth)	\$4.85	
4) ARRA non-construction	\$3.37	
5) Tourism	\$7.50	↓
6) Coretech Tax Credit	<u>(\$3.00)</u>	
Total	<u>\$50.37</u>	

Projected Expenditures Above the Baseline

- FY 2011 Military Construction and Operations = \$136 million
- FY 2011 Government of Guam Construction = \$74 million
- FY 2011 Commercial Development = \$18.5 million
- Individual Income Tax growth of 2.87% based on 2010 employment and wage data
- ARRA non-construction = 23.5 million
- Tourism = \$57.48 million
- CoreTech = - \$3 million

Special Fund Changes

Special Fund	Executive Budget		OFB Revised	SAS Recommendation	Variance
Tourist Attraction Fund	\$22,943,480	==>	\$22,400,181	---	\$0
Solid Waste Operations Fund	\$6,500,000	==>	\$13,835,019	---	\$0
Healthy Futures Fund	\$11,276,420	==>	\$20,297,556	---	\$0
Territorial Educational Facilities Fund	\$22,401,128	==>	\$22,901,128	\$22,401,128	(\$500,000)
Manpower Development Fund	\$2,629,666	==>	\$4,370,379	---	\$0
DPW Design and Building Fund	\$0	==>	\$562,012	---	\$0

Tourist Attraction Fund

- Analysis of collections revealed a one time adjustment upward of \$553,696 on 9/30/2008
- Executive Budget projection 12% increase from current trend. Equivalent of 207,187 additional rooms in 2011 or an additional 567 additional rooms a day for the entire year
- Normalized collection trend and applied 3.9% growth which reduced original projection by \$1.6 million
- Public Law 30-143:
 - ~~(c) The tax imposed by this Chapter shall not apply to any transaction involving a sale to the government of Guam, the government of the United States, the government of any Foreign Sovereignty, or any agency or instrumentality of any of the foregoing governments in regard to any activity or function engaged in.~~
- Repeal of exemption = estimated additional \$1.1 million
- Net effect to original projection = \$516K reduction

Solid Waste Operations Fund

- Gershman, Brickner & Bratton ordered by Federal District Court to submit a petition to PUC for commercial and residential rates. by the end of September 2010.
- April 8, 2010 Quarterly Report of the Receiver estimates FY 2011 revenue collections of \$21.2 million for 100% Section 30 Backed Bond (excluding military)
- Commercial collections = \$15.2 million and Residential collections = \$5.7 million
- Only projecting revenues required for Solid Waste Division operations and debt service

Healthy Futures Fund

- Public Law 30-80 increases tobacco products tax by 200%
- Increases effective April 2010.
- Compared historical collections to FY 2010 3rd quarter collections
- Compared to historical averages, current trend is tracking 80% higher.
- Executive Budget projection of \$11.2 million does not include 200% tax increase
- FY 2011 Executive Budget projection increase to 20.2 million

Manpower Development Fund

- Increase to Executive Budget projection based on release of the Final Environmental Impact Statement and anticipated signing of the Record of Decision in August 2010
- Labor certificates processed between FY 2008 and FY 2009 increased 17%.
- Labor certificates processed between FY 2009 and FY 2010 (Annualized) increased 4%.
- Blended growth rate of certificates processed pre-military expansion is 10%
- FY 2011 Projected certificates processed = 2,179 or a 100% increase to current levels.
- 100% growth rate applied to FY 2010 projected collections.

SAS feedback – August 9, 2010

- Confirmed Section 30 advance request
- Speculation by DRT that hotels already paying hotel occupancy tax for previously exempted customers = potential under reporting of GRT by hotels
- Territorial Educational Facilities Fund too high
- FY 2011 Military Construction Appropriations in PEV's.