

*I Mina'Trentai Kuáttro Na Liheslaturan*  
**BILL STATUS**

BILL NO.	SPONSOR	TITLE	DATE INTRODUCED	DATE REFERRED	CMTE REFERRED	PUBLIC HEARING DATE	DATE COMMITTEE REPORT FILED	FISCAL NOTES	NOTES
36-34 (LS)	B. J.F. Cruz	AN ACT TO ADD A NEW § 1504.1 TO CHAPTER 1, TITLE 5 OF THE GUAM CODE ANNOTATED RELATIVE TO AUTHORIZING THE ISSUANCE OF LIMITED OBLIGATION HIGHWAY BONDS TO BE APPROPRIATED FOR CAPITAL IMPROVEMENT VILLAGE STREETS AND ROADS PROJECTS.	03/07/17 5:07 p.m.	03/10/17	Committee on Appropriations and Adjudication			Fiscal Note Request 3/10/17  Fiscal Note 4/4/17	



## COMMITTEE ON RULES

Senator Michael F.Q. San Nicolas, *Chairman*

*I Mina'Trentai Kuåttro na Liheslaturan Guåhan* • 34<sup>th</sup> Guam Legislature

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# MEMO

**To:** Rennae Meno  
Clerk of the Legislature

**From:** Senator Michael F.Q. San Nicolas  
Chairman of the Committee on Rules

**Date:** April 4, 2017

**Re:** Fiscal Notes

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*Buenas yan Håfa adai.*

Attached, please find the fiscal note for the following bill:

**Bill No. 36-34 (LS)**

**Bill No. 41-34 (COR)**

**Bill No. 49-34 (COR)**

**Bill No. 53-34 (COR) <sup>LS</sup>**

Please forward the same to Management Information Services (MIS) for posting on our website.

For any questions or concerns, please feel free to contact Christian Valencia, Committee on Rules Director, at 472-6453.

Thank you for your attention to this important matter.

Respectfully,

  
**Senator Michael F.Q. San Nicolas**  
Chairman of the Committee on Rules



**Bureau of Budget & Management Research  
Fiscal Note of Bill No. 36-34 (LS)**

**AN ACT TO ADD A NEW § 1504.1 TO CHAPTER 1, TITLE 5 OF THE GUAM CODE ANNOTATED RELATIVE TO AUTHORIZING THE ISSUANCE OF LIMITED OBLIGATION HIGHWAY BONDS TO BE APPROPRIATED FOR CAPITAL IMPROVEMENT VILLAGE STREET AND ROAD PROJECTS**

Department/Agency Appropriation Information	
Dept./Agency Affected: Public Works	Dept./Agency Head: Glenn Leon Guerrero
Department's General Fund (GF) appropriation(s) to date:	7,123,269
Department's Other Fund (Specify) appropriation(s) to date: Guam Highway Fund	11,978,176
<b>Total Department/Agency Appropriation(s) to date:</b>	<b>\$19,101,445</b>

Fund Source Information of Proposed Appropriation			
	General Fund:	(Specify Special Fund):	Total:
FY 2016 Unreserved Fund Balance		\$0	\$0
FY 2017 Adopted Revenues	\$681,271,974	\$209,189,674	\$890,461,648
FY 2017 Appro. (P.L. 33-185 thru P.L. 33-240)	(\$681,271,973)	(\$197,511,672)	(\$878,783,645)
Sub-total:	\$1	\$11,678,002	\$11,678,003
Less appropriation in Bill	\$0	\$0	\$0
<b>Total:</b>	<b>\$1</b>	<b>\$11,678,002</b>	<b>\$11,678,003</b>

Estimated Fiscal Impact of Bill						
	One Full Fiscal Year	For Remainder of FY 2016 (if applicable)	FY 2017	FY 2018	FY 2019	FY 2020
General Fund	\$0	\$0	\$0	\$0	\$0	\$0
(Specify Special Fund)	\$0	\$0	\$0	\$3,500,000	\$3,500,000	\$3,500,000
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,500,000</b>	<b>\$3,500,000</b>	<b>\$3,500,000</b>

1. Does the bill contain "revenue generating" provisions? / / Yes / x / No  
If Yes, see attachment
2. Is amount appropriated adequate to fund the intent of the appropriation? // N/A / x / Yes // No  
If no, what is the additional amount required? \$ // N/A
3. Does the Bill establish a new program/agency? // Yes / x / No  
If yes, will the program duplicate existing programs/agencies? / x / N/A // Yes // No  
Is there a federal mandate to establish the program/agency? // Yes / x / No
4. Will the enactment of this Bill require new physical facilities? // Yes / x / No
5. Was Fiscal Note coordinated with the affected dept/agency? If no, indicate reason: / x / Yes // No  
/ / Requested agency comments not received by due date / / Other:

Analyst: John AB Pangolinan, Supervisor Date: 3-28-17 Director: Jose S. Calvo, Director Date: APR 04 2017

Footnotes:  
See attached comment sheet.

**Comments to Legislative Bill No. 36-34 (LS):**

This proposed Bill is adding a new §1504.1 which would authorize the I Maga'låhen Guåhan to issue one or more series of tax-exempt and/or taxable Limited Obligation Highway Bond of the government of Guam in the aggregated amount not to exceed \$50 million for the purpose of funding capital improvement projects of village streets and roads as identified and listed by the Mayors' Council. Such list is then provided to DPW who determines which infrastructure to improve. Funding of this proposed bond is to come from Article 4 of Chapter 26 of Title 11 Guam Code Annotated (GCA) which covers Liquid Fuel Tax and from various vehicle fees and penalties pursuant to §§7146, 7159, 7170, 7171, 7173, 3102, and 11101 of Title 16 of GCA. The funding derived from these sources would be identified as "highway revenues." There are no provisions in this proposed legislation to increase rates currently assigned to the fees and liquid fuel taxes identified to fund this proposed debt services.

The proposed debt entails the principle amount of \$50 million that will mature no later than 25 years at a maximum interest yield of 5% per annum. Using financial data provided by the Guam Economic Development Authority (GEDA), the following particulars are provided:

- |                                  |                 |
|----------------------------------|-----------------|
| 1. Average annual debt service:  | \$ 3.5 Million  |
| 2. Total Interest:               | \$ 38.7 Million |
| 3. Total Principle and Interest: | \$ 88.7 Million |

This proposed debt service is below the government of Guam debt ceiling level of \$269.2 million (see <http://www.investguam.com/public-finance-opportunities/guam-bond-information/>).

It is assumed that the debt service will take place at the tail-end of this fiscal year or in FY 2018. For FY 2018, the Bureau of Budget and Management (BBMR) has projected a net revenues of \$17.6 million for the Guam Highway Fund (GHF) after deducting the statutory requirements for the Better Business Service Fund and the Public Transit Fund. The FY 2018 GHF projection is \$2.1 Million lower or 10.8 % less than the FY 2017 adopted of \$19.7 million. This lower forecast is based on the actual tracking of the GHF for the last three years.

GHF has not experienced any major or significant growth in the last three years. Assuming, this slow growth will continue in the next three years, the net revenues expected may be between \$18 million and \$19 million, using the FY 2018 projection as the baseline at a nominal growth rate of 2.5% per year. Because this proposed debt service would be secured by a statutory lien, all GHF revenues generated each fiscal year would be firstly be deducted for the set aside to pay for the annual debt of \$3.5 million. Given this set aside, those departments and agencies normally funded by the GHF would be severely impacted as the result of a reduced funding base. These departments are the Department of Public Works (DPW), the Guam Regional Transit Authority (GRTA), Department of Administration (DOA), and the Guam Power Authority for streetlight installations and payments. Such potential funding shortfall would need to be offset by the General Fund, provided such funding is available.