

## LOCAL

# Spending increased, deficit reduced

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The government of Guam continues to live tens of millions of dollars beyond its means, spending \$92.9 million more than the revenues it collected last fiscal year, according to an audit report released by the Office of Public Accountability yesterday.

Following yesterday's release of an audit report of the General Fund, Public Auditor Doris Flores Brooks said Guam's continued overspending shows "structural" deficiency that can be curbed by more conscientious spending.

"All the states are having budgetary gaps, but the gaps are temporary, due to the worldwide recession as opposed to GovGuam's budget deficit, which is now structural," Brooks said. "We just continue to spend beyond our means and really have not made any concerted effort to reduce our over-expenditure."

## Audit report

The audit report showed the government of Guam's General Fund closed fiscal 2009 with a \$265.4 million deficit — a result of an almost \$70 million spike in expenditures. The

final operational deficit figure represents the government spending \$92.9 million more than the revenues it collected from tourism, income tax collections, licenses and fees.

"This year, the gap was even greater. Part of that was due to the fact revenues were \$30 million lower than what was anticipated," Brooks said, adding that tourism, the island's "mainstay," did face a setback due to the global financial crisis.

Gov. Felix Camacho said more work remains to be done in identifying new sources of revenue and developing measures that will produce more revenue.

The report stated economic growth is expected to remain stagnant until the latter part of fiscal 2010, when military buildup construction projects are supposed to get started.

Income tax collections, too, brought in \$12.3 million less than in fiscal 2008, and Section 30, license, fee and permit contributions fell by a total \$2.4 million, the report stated.

In terms of "unbudgeted" expenses, Gov-Guam dealt with a \$16.2 million interest payment on tax refunds, credit card charges and bank fees of \$5.8 million, a \$17.9 million in-

## BY THE NUMBERS Fiscal 2009

- ▲ Budgeted revenues: \$531.2 million
- ▲ Deficit: \$265.4 million
- ▲ Collected revenues: \$483.2 million
- ▲ Gross receipts tax: \$182.6 million
- ▲ Income tax collections: \$241.9 million
- ▲ Interest on tax refunds: \$16.2 million

## Fiscal 2008

- ▲ Deficit: \$415.5 million
- ▲ Collected revenues: \$513.2 million
- ▲ Gross receipts taxes: \$185.8 million
- ▲ Income tax collections: \$254.1 million
- ▲ Interest on tax refunds: \$8.6 million

OPA audit report highlights

terest payment on cost-of-living-allowance payments and \$4.6 million in interest-only payments to the Retirement Fund.

The report noted that many of these "unbudgeted items" have been recurring for the past five years.

"That's why we put it in quotes," Brooks said. "How come it isn't factored? ... We've been doing this for many years now. When are you going to budget for these items?"

However, of the \$54.1 million in expenses identified as "unbudgeted items," Brooks noted that \$9.6 million owed to the U.S. Department of Justice to house prisoners in off-island detention facilities was truly unforeseen.

"That expenditure is part of what certainly is an unanticipated (cost), ... so certainly there was some legitimacy as to part of the over-expenditure," she said.

But the education, public health and fire departments all faced an increase in operating expenditures as well, totaling more than \$20 million, according to the report.

## Smaller deficit

Even with the government's overspending, the report showed the General Fund deficit decreased last fiscal year by \$150 million from the previous year, thanks to the issuance of a \$271.1 million bond. The refinancing bond was used to pay off some of the government's major obligations, such as tax refunds and court-ordered COLA payments, the report stated.

Other bond proceeds covered overdue retirement contributions on behalf of the Guam Memorial Hospital Authority and the Department of Education, according to the report.