

**Government of Guam
Debt Ceiling Calculation**

Analysis

**OPA Report No. 07-10
September 2007**



OFFICE OF THE PUBLIC AUDITOR

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OFFICE OF THE PUBLIC AUDITOR

September 21, 2007

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

Dear Attorney General Limtiaco:

On August 30, 2007, we met with you and your staff to discuss your oral request for the Office of the Public Auditor (OPA) to assist in the calculation of the government of Guam debt ceiling and the total amount of existing debt subject to the debt ceiling.

In July 2003, the Supreme Court of Guam ruled that the debt limit is to be calculated on the appraised value of the real or personal property in Guam currently subject to taxation.¹ This ruling also defined "debt" in the constitutional sense as the obligation to pay money from future funds to be provided in the future, as distinguished from funds presently on hand.

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

The assessed 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 \$4.07 billion. Based on our calculation, the government of Guam debt ceiling as of October 2006 is \$406.9 million. As of December 31, 2006, the total government of Guam debt subject to the debt ceiling is \$251.6 million. Therefore, the amount available for additional bond borrowing by the government of Guam is \$155.2 million. See attachment for calculation.

Senseramente,

Doris Flores Brooks, CPA, CGFM
Public Auditor

Cc: Deputy Attorney General Alberto Tolentino
Deputy Attorney General J. Patrick Mason

Attachment

¹ Supreme Court of Guam, Request of Governor Camacho, 2003 Guam 16.

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	\$ 2,309,225,954
Building	1,759,390,145
Total	<u>\$ 4,068,616,099⁴</u>
Debt Limit (Ceiling)	
10% of Assessed Value ⁵	<u>\$ 406,861,610</u>
Less Government of Guam Debt (Balance as of December 31, 2006)	
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 ⁶
Subtotal- Limited Obligation Bonds	<u>\$ 133,957,689</u>
TOTAL Government of Guam Debt Subject to 10% Assessed Value Limitation (Ceiling)	<u>\$ 251,615,168⁷</u>
Amount Available for Future Debt Obligation	<u><u>\$ 155,246,442</u></u>

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

⁴ Department of Revenue & Taxation 2006 Certified Tax Roll (October 2006).

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

⁶ 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.

⁷ Guam Economic Development & Commerce Authority Public Finance (balance as of 12/31/06) and Department of Administration AS400 verification.