

**Guam**  
**Comprehensive Economic**  
**Development Strategy**  
**Annual Report**

June 2005



**Government of Guam**

**Prepared by**  
**Guam Economic Development and Commerce Authority**  
**and**  
**Bureau of Statistics and Plans**

**Annual Report  
on the  
Guam Comprehensive Economic Development Strategy  
June 2005**

**Introduction**

In April 2003, the Government of Guam developed and received approval of the Guam Comprehensive Economic Development Strategy (CEDS) in compliance with 13 CFR Part 303 which requires the development of a strategy in order to remain eligible for assistance from the Economic Development Administration (EDA), U. S. Department of Commerce. While a new or revised CEDS must be submitted every 5 years, 13 CFR Part 303.2(d) requires that “Each year thereafter (after initial approval), the planning organization must submit an annual strategy report, acceptable to EDA.” This annual report is submitted in compliance with EDA requirements and is intended to inform the public, decision makers and EDA on progress in implementing the Guam CEDS.

EDA guidance provides that “the annual report documents the progress achieved on economic development activities, regardless of the source of funding, and reports on changing economic conditions.” The annual report should:

1. “Adjust the CEDS as needed.
2. Report on the previous year’s economic development activities and any significant changes in the region’s economic conditions.
3. Evaluate the effectiveness in meeting goals.
4. Schedule achievable goals for the coming year.”

**Current Economic Conditions**

In 2003, Guam faced dire economic conditions that resulted in deterioration of public service, infrastructure and quality of life of the community at all levels. Thousands of jobs were lost in the years prior to 2003, bankruptcies were on the rise and investor confidence diminished. Major factors contributing to the economic conditions that prevailed prior to 2003 were the Asian economic decline, the devastation caused by Super typhoon Pongsona and the repercussions of the September 11<sup>th</sup> terrorist attack.

Today, Guam’s economic conditions are improving and the outlook for expansion in the economy, increase in jobs and increase in public revenue is bright, given the initiatives being implemented by the Government of Guam and the private sector. Increased military activity, record-breaking visitor arrivals, rising employment and improvements in infrastructure development have contributed to Guam’s economic recovery and stabilization.

The impact of rising oil prices that have been occurring throughout 2005 upon Guam’s economy however remains unknown. Crude oil prices have risen by about 30 percent to

levels not seen since the mid 1970s to early 1980s. Higher fuel prices can cause unwelcome rises in inflation and restrict Guam's economic growth. Rising oil prices can lead to higher business costs and reduce profitability. Many of Guam's businesses will need to either pass their increased cost on to their customers or lower their profitability. Lower profitability may cause businesses to lower their costs in other ways – such as reducing their workforce. Guam's tourism industry might be one of the sectors that will be impacted the most by rising fuel prices. Another factor that may negatively impact Guam's improving economic condition is the increase in ocean shipping rates that is slated to go into effect during August 2005. While increased shipping rates may impact Guam's economy by driving costs up, the impact will not be nearly as significant as the continuing rise of Singapore oil prices.

Statistical collection efforts show the following trends:

- 1) Labor Force - The Guam Department of Labor, Bureau of Labor Statistics announced that the March 2004 unemployment rate was 7.7 percent, a decrease of 3.7 percentage points from 11.4 percent reported in March 2002. In March 2004, the number of persons employed reached 56,810, an increase of 1,830 from 2002. Of the total employed, the immigrant aliens (PRA) category showed an increase of 3,660 people from the March 2002 report of 9,620 to 13,280 in March 2004. Recent gains in employment are largely due to typhoon recovery construction projects.
- 2) Economic indicators show growth in our island's two main industries --- tourism and the military. Some \$2.5 billion in military construction projects and infrastructure improvements at Naval Station and Andersen Air Force Base are planned for Guam in the next five years.
- 3) Tourism - Guam reports record-breaking visitor arrivals in 2004 with 1.1 million visitors, a 30.7% increase in visitors as compared to 2003, or 857,432 arrivals. Japanese visitors continue to dominate Guam's market making up 80.8% of arrivals as compared to other regions.
- 4) Household and Per Capita Income – The 2000 U.S. Census Bureau reports Guam's mean household income at \$49,617, a decline of 5.3 percent from 1990, which reported a mean household income of \$52,419. In 2001, Guam's mean household income further dropped to \$45,091, a 9.1 decrease from 2000. In 2002, Guam's mean household income continued to decline at \$40,877. However, in 2003, there was a .7 percent slight improvement in household income reporting at \$41,196.

In 2000, the Guam Department of Labor reported Guam's per capita income to \$11,465. In 2001, the level of per capita income dropped to a level 5.2 percent to \$10,872. However, in 2003, Guam's per capita income improved 3.5 percent reaching \$11,254.

In 2001, the Guam Department of Labor reported Guam's mean earner's income at \$21,602. This was a .7 percent decline compared to 2000 with a mean earner's income at \$21,756. In 2003, Guam's mean earner's income improved slightly by .8 percent from 2001 at \$21,778.

- 5) Consumer Price Index – In 2000, Guam's Consumer Price Index reported an average of 104.93. In 2002, the consumer price index remained relatively stable at an average of 104.24. In 2003, the price index rose 3.21 percent to 107.59. By 2004, Guam's consumer price index increased 7.4 percent compared to 2003, showing an index of 115.60. Guam's inflation rate remained at 6 percent for the years 2003 and 2004, a 4 percent increase from 2002.
- 6) Public Assistance and Expenditures – Public assistance includes assistance to Temporary Aid to Needy Families (TANF), Old Age Assistance (OAA), Aid to the Permanently Blind and Totally Disabled (APTD), Aid to the Blind (AB), General Assistance (GA), and Medicaid. In 2003, public assistance expenditures dropped to \$3,415,695, 62.6 percent dramatic decline compared to 2002. In 2004, public assistance expenditures further dropped to 76 percent, marking an all time low to \$819,341 in assistance.

It should be noted that the 1996 federal welfare reform law set a five-year limit on recipients from receiving and under cash assistance programs, including the Temporary Aid to Needy Families and the Government of Guam's General Assistance Program. These reforms do not affect Food Stamps, Aid to the Blind, Old Age Assistance, Medicaid, and Aid to the Permanently and Totally Disabled. This five-year program went into effect July 2002. In 2000, recipients participating in these programs dropped from 14,544 recipients to 11,199 persons in 2002. In 2004, the number of recipients dropped 21.4 percent, 4,763 persons, compared to 6,059 recipients in 2003.

Guam's Food Stamp program reports indicate a continuing growth in food stamp participation. In 1995, food stamp recipients accounted for 16,298 persons. By 2000, the number of recipients grew 38.6 percent, 22,595 recipients participating in the food stamp program. Request for food stamp assistance continued. In 2004, there was an increase of 4.7 percent participation in the program, accounting for 24,558 persons, compared to 2003.

- 7) Surface and Cargo Movements – Total surface cargo movements continue to increase. In 2000, 1,970.1 thousand revenue tons of surface cargo were loaded, unloaded, or transshipped through Guam. In 2003, 2,154.3 thousand revenue tons of surface cargo were moved through Guam. This shows an increase of 9.3 percent compared to 2000. In 2004, surface cargo movement dropped slightly by 4.0 percent.

Air cargo remained relatively stable between 2000 and 2004. In 2000, 34,752 metric tons of air cargo were loaded or unloaded through Guam. By 2004, 34,266 metric tons were moved through Guam.

8) Construction - In 2000, 1,278 construction permits were issued. Majority of construction permits were issued for residential and commercial purposes. In 2003, construction permits issued increased 23.5 percent, or 1,578 permits, as compared to 2000. Construction permits issued declined to 14.6 percent in 2004. In 2003, total value of construction amounted to \$125,645,000. In 2004, value of construction dropped 19.7 percent, or \$100,925,000.

9) Government Revenues and Expenditures – In 2000, the Government of Guam received \$605.3 million in revenues to the general fund. However, in 2003, there was a sharp decline of over \$2 million in returns. In 2003, total Government of Guam General Fund revenues totaled \$426.3 million. By 2004, general fund revenues dropped 8.6 percent, or \$389.4 million as compared to 2003. This was due to a decline in tax collections and federal contributions.

In 2000, Government of Guam general fund expenditures reached \$654.2 million. In 2003, general fund expenditures dropped to nearly 50 percent, at \$342.6 million. In 2004, expenditures declined to 21.6 percent, or \$268.5 million, compared to 2003. Majority of expenditures were appropriated to education, protection of life and property, and general government operations.

10) Military – Increased military buildup and investment activity is expected for Guam. The federal government plans to increase military spending on Guam in 2006, funding more than \$162 million in construction projects. Increased military investment will provide contracting opportunities that will create job and fuel money into Guam's economy.

### **Summary and Findings**

Guam's economic situation continues toward steady recovery and anticipated growth in tourism and military spending. Economic indicators reveal that with the arrival of over one million tourists in recent years and the return of the military, Guam can expect increased job creation opportunities, investment incentives, and community development. Investment and community confidence of our island people has returned as the government and business sector strives to strengthen and diversify its services and industries.

About \$2.5 billion in military construction projects and infrastructure improvements at Naval Station and Andersen Air Force Base are planned for Guam in the next five years. Guam's construction industry is improving as retailers are renovating and expanding its businesses. For example, Duty Free Shoppers of Guam announced a \$30 million renovation to its Tumon Galleria. Louis Vuitton is soon expected to open a branch store

at the Tumon Sands Plaza. Also, the Agana Shopping Center re-opened its doors this year with new establishments and restaurants, and an upcoming theater.

The Government of Guam continues its efforts to effectively manage and address the needs of the people of Guam. The Government of Guam has recently privatized the Guam Telephone Authority welcoming competitive local and world-wide telecommunications services and wireless technology to Guam residents. In 2005, the Department of Revenue and Taxation will launch its e-pay program allowing taxpayers to make income tax and gross receipts payments on-line. This will contribute to timeliness of returns and accuracy of financial reporting.

These trends show the government's response to identify and develop strategies to boost economic growth and diversification for Guam. With increased tourism arrivals, improved business opportunities, and increased military presence, Guam can expect to generate additional tourism dollars and military spending which will, in turn, provide for much needed capital improvement projects, infrastructure development, and improved public service.

Summary Tables follows:

Table 1.1. Highlights of the Employment Situation on Guam: 2001 to 2004

Selected Categories	March 2004	March 2002	Sept 2001
<b>Total Civilian Population</b>			
16 years of age and over	99,780	99,500	100,470
Civilian Labor Force	61,520	62,050	64,800
Total Employed	56,810	54,980	56,040
Adult women	23,450	24,910	24,410
Adult men	31,120	28,610	29,670
Teenagers	2,250	1,460	1,950
Household Heads	23,970	24,070	23,670
Full-time workers	50,150	47,790	50,560
Part-time workers	6,660	7,190	5,490
U.S. citizens	43,530	45,360	45,720
Immigrant aliens	13,280	9,620	10,320
Veterans	4,040	3,760	3,360
Total Unemployed	4,710	7,070	8,760
Not in the Labor Force	38,260	37,450	35,670
 <b>UNEMPLOYMENT RATES</b>			
All Workers	7.7	11.4	13.5
Adult women	7.1	8.9	12.6
Adult men	7.1	11.9	12.6
Teenagers	18.9	34.8	33.9
Household Heads	7.1	8.8	11.5
Full-time workers	8.0	11.8	13.2
Part-time workers	5.3	8.6	15.8
U.S. Citizens	7.5	11.1	13.2
Immigrant aliens	8.3	12.9	14.7
Veterans	1.8	7.9	7.5
Did not want job during survey per Want job during survey period but did not look for work:	32,540	30,160	28,200
Reasons:			
Believe no job available	220	390	410
Can not find work	1,650	3,140	2,680
School attendance	1,870	2,460	2,130
Family responsibility	1,230	1,260	1,440
Can not arrange child care	520	450	790
Other reasons	1,380	1,000	1,990

Source: Bureau of Labor Statistics, Guam Department of Labor, Government of Guam

Table 2.1. Visitor Arrival Statistics, Guam: 2000 to 2004

Description	2004	2003	2002	2001	2000
Total	1,120,676	857,432	1,031,161	1,124,438	1,279,243
Japan	906,106	659,593	786,947	901,539	1,048,813
United States	46,159	41,225	41,521	41,877	41,664
CNMI/ Micronesia	32,435	31,927	30,658	36,565	38,032
Taiwan	24,157	18,673	19,500	31,540	39,451
Philippines	7,066	6,470	6,530	5,697	6,000
Korea	89,924	87,341	128,307	89,882	87,070
Hong Kong	5,156	4,620	8,444	9,174	9,050
Other	9,673	7,583	9,254	8,164	9,163

Source: Guam Visitors Bureau, Government of Guam.

Note: Civilian and Military Air Arrivals

CNMI/Micronesia = Commonwealth of the Northern Mariana Islands/Micronesia

Table 3.1. Numerical & Percentage Distribution By Household Income On Guam, 2000, 2001 and 2003

Household Income	2003		2001		2000	
	Number	Percent	Number	Percent	Number	Percent
Total	39,008	100.0	39,107	100.0	38,983	100.0
No Income	2,319	5.9	2,074	5.3	1,291	3.3
Under \$3,000	860	2.2	1,296	3.3	1,012	2.6
\$3,000 - 4,999	748	1.9	778	2.0	733	1.9
\$5,000 - 6,999	785	2.0	1,199	3.1	1,117	2.9
\$7,000 - 8,999	748	1.9	940	2.4	1,082	2.8
\$9,000 - 10,999	1,159	3.0	1,102	2.8	1,082	2.8
\$11,000 - 12,999	1,309	3.4	1,102	2.8	907	2.3
\$13,000 - 14,999	673	1.7	810	2.1	873	2.2
\$15,000 - 19,999	3,029	7.8	2,495	6.4	2,862	7.3
\$20,000 - 29,999	6,283	16.1	5,508	14.1	5,375	13.8
\$30,000 - 39,999	4,600	11.8	5,314	13.6	4,153	10.7
\$40,000 - 49,999	3,927	10.1	3,920	10.0	3,979	10.2
\$50,000 - 59,999	3,590	9.2	3,305	8.5	3,734	9.6
\$60,000 - 69,999	2,431	6.2	2,624	6.7	2,757	7.1
\$70,000 - 79,999	2,319	6.9	1,717	4.4	1,780	4.6
\$80,000 - 89,999	1,272	3.3	1,426	3.6	1,885	4.8
\$90,000 - 99,999	486	1.2	1,037	2.7	873	2.2
\$100,000 & Above	2,468	6.3	2,462	6.3	3,490	9.0

	2003	2002	2001
Median Household Income	33,457	34,235	37,605
Mean Household Income	41,196	40,877	45,091
Average Household Size	3.66	3.76	3.93
Average Earners per Household	1.58	1.59	1.78

Source: Household & Per Capita Income: 2001, and 2003 Department of Labor, Government of Guam

Note: Income statistics may not be comparable with other income statistics due to differences in the income concepts used and the scope of persons and households included.

Table 4.1. Numerical & Percentage Per Capita Money Income, Guam: 2003

Income Category	Number	Percent	Income Category	Number	Percent
Total	99,783	100.0			
No Income	25,993	26.0			
Under \$1,000	1,533	1.5	28,000 - 28,999	972	1.0
\$1,000 - 1,999	1,346	1.3	29,000 - 29,999	262	0.3
\$2,000 - 2,999	1,459	1.5	30,000 - 30,999	1,870	1.9
\$3,000 - 3,999	1,683	1.7	31,000 - 31,999	524	0.5
\$4,000 - 4,999	1,833	1.8	32,000 - 32,999	748	0.7
\$5,000 - 5,999	1,646	1.6	33,000 - 33,999	711	0.7
\$6,000 - 6,999	1,346	1.3	34,000 - 34,999	636	0.6
\$7,000 - 7,999	2,244	2.2	35,000 - 35,999	1,234	1.2
\$8,000 - 8,999	1,608	1.6	36,000 - 36,999	823	0.8
\$9,000 - 9,999	2,955	3.0	37,000 - 37,999	299	0.3
\$10,000 - 10,999	3,029	3.0	38,000 - 38,999	636	0.6
\$11,000 - 11,999	2,244	2.2	39,000 - 39,999	187	0.2
\$12,000 - 12,999	2,880	2.9	40,000 - 40,999	1,533	1.5
\$13,000 - 13,999	1,907	1.9	41,000 - 41,999	411	0.4
\$14,000 - 14,999	2,880	2.9	42,000 - 42,999	561	0.6
\$15,000 - 15,999	3,590	3.6	43,000 - 43,999	411	0.4
\$16,000 - 16,999	2,356	2.4	44,000 - 44,999	299	0.3
\$17,000 - 17,999	2,020	2.0	45,000 - 45,999	972	1.0
\$18,000 - 18,999	2,132	2.1	46,000 - 46,999	187	0.2
\$19,000 - 19,999	1,122	1.1	47,000 - 47,999	187	0.2
\$20,000 - 20,999	2,805	2.8	48,000 - 48,999	262	0.3
\$21,000 - 21,999	1,272	1.3	49,000 - 49,999	187	0.2
\$22,000 - 22,999	1,384	1.4	50,000 - 59,999	1,309	1.3
\$23,000 - 23,999	1,533	1.5	60,000 - 69,999	972	1.0
\$24,000 - 24,999	2,319	2.3	70,000 - 79,999	823	0.8
\$25,000 - 25,999	1,833	1.8	80,000 - 89,999	374	0.4
\$26,000 - 26,999	1,870	1.9	90,000 - 99,999	112	0.1
\$27,000 - 27,999	823	0.8	100,000 & Above	636	0.6

	<u>2003</u>	<u>2001</u>
Per Capita Income (\$)	11,254	10,872
Median Individual Income (\$)	12,338	11,591
Mean Earner's Income (\$)	21,778	21,602

Source: Household & Per Capita Income: 2003, Department of Labor, Government of Guam

Note: Income statistics may not be comparable with other income statistics due to differences in the income definition concepts used and the scope of persons and households included.

Table 5.1. Consumer Price Index (CPI), Guam: 1995 to 2004

Calendar Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Average	Annual Percent Change	Inflation Rate
2004 R	112.83	114.72	116.38	118.47	115.60	7.44%	6.09%
2003 R	104.30	107.30	107.80	110.97	107.59	3.21%	6.40%
2002 R	103.51	103.57	103.86	106.03	104.24	0.64%	2.08%
2001 R	104.74	104.43	102.62	102.53	103.58	-1.29%	-1.35%
2000 R	105.49	105.77	104.36	104.11	104.93	2.00%	-0.29%
1999 R	101.60	102.05	103.89	103.97	102.88	1.83%	3.71%
1998 R	102.26	100.83	100.67	100.36	101.03	-0.50%	-1.10%
1997 R	101.76	101.57	100.90	101.94	101.54	1.93%	0.76%
1996 R	97.69	99.90	100.00	100.89	99.62	nr	4.95%
1995	nr	nr	nr	95.40	nr	nr	nr

Source: Guam Department of Labor

R = Revised

nr = Not reported.

Table 6.1. Annual Expenditures for Public Assistance, Guam: Fiscal Years 1998 to 2004  
[Amounts in Thousands of U.S. Dollars]

Type of Assistance	2004	2003	2002	2001	2000 R	1999	1998
Total	819	3,416	9,126	24,818	19,086	1,608	269
Temporary Aid to Needy Families (TANF)	3,416	2,334	7,130	17,210	19,086	19,351	12,540
Old Age Assistance (OAA)	236	573	772	1,453	1,530	1,608	1,472
Aid to the Permanently and Totally Disabled (APTD)	68	155	151	262	267	274	269
Aid to the Blind (AB)	0						
General Assistance (GA)	83	573	1,071	5,891	6,554	5,468	3,079
Medicaid	n/a	n/a	n/a	n/a	11,490	9,242	9,897

Source: Department of Public Health and Social Services, Government of Guam

Note: AFDC (Aid to Families with Dependent Children) changed to TANF - Temporary Aid to Needy Families. 2004 data reflect months January to April only.

R = Revised

n/a = Not available

Table 7.1. Average Number of Recipients on Public Assistance: Fiscal Years 1998 to 2004

Type of Assistance	2004	2003	2002	2001	2000 R	1999	1998
Total	4,763	6,059	11,199	18,054	14,544	11,733	9,223
Temporary Aid to Needy Families (TANF)	3882	5,150	9,708	13,290	10,705	9,070	7,007
Old Age Assistance (OAA)	346	362	424	624	488	509	507
Aid to the Permanently and Totally Disabled (APTD)	98	95	87	112	89	95	96
Aid to the Blind (AB)	1	1	1	1	1	1	1
General Assistance (GA)	436	451	979	4,027	3,261	2,058	1,612

Source: Department of Public Health and Social Services, Government of Guam

Note: AFDC (Aid to Families with Dependent Children) changed to TANF - Temporary Aid to Needy Families. 2004 data reflect months January to April only.

R = Revised

Table 8.1. Food Stamp Program Recipients and Total Bonus, Guam: Fiscal Years 1998 to 2004

Description	2004	2003	2002	2001 R	2000 R	1999	1998
Households	7,217	6,934	7,365	7,024	7,085	6,183	4,965
Persons	24,558	23,440	24,278	22,809	22,595	20,458	16,399
Total Bonus	38.0	36.2	37.0	32.0	30.5	32.2	24.8

Source: Department of Public Health and Social Services, Government of Guam

Note: Participation in program is monthly average; total bonus is in Millions of U.S. Dollars

2004 data reflects months January to March only.

R = Revised

Table 9.1. Food Stamp Program Recipients and Total Bonus, Guam: Fiscal Years 1991 to 1997

Description	1997	1996	1995	1994	1993	1992	1991
Households	5,370	5,645	5,278	4,857	3,969	3,624	3,358
Persons	16,881	17,604	16,298	15,131	12,481	11,537	10,845
Total Bonus	25.7	26.8	24.0	21.7	17.4	15.9	14.3

Source: Department of Public Health and Social Services, Government of Guam

Note: Participation in program is monthly average; total bonus is in Millions of U.S. Dollars

R = Revised

Table 10.1. Total Cargo Movements, Guam: Fiscal Years 1996 to 2004

Movement	2004	2003	2002	2001	2000	1999	1998	1997	1996
SURFACE									
Total	2,067.5	2,154.2	1,860.3	1,836.8	1,970.1	1,951.4	2,052.6	1,717.1	1,805.8
Unloaded ((Import)	1,132.5	1,305.4	1,019.6	1,066.1	1,172.2	1,149.6	1,133.5	1,047.5	1,035.3
Loaded (Export)	231.2	209.7	220.8	251.3	233.1	214.6	225.5	205.8	258.9
Transshipped	703.8	649.1	609.9	529.4	564.8	587.2	693.6	463.8	511.6
AIR									
Total	34,266	31,479	26,770	31,503	34,752	38,851	36,691	35,925	413,866
Unloaded ((Import)	18,837	17,587	15,034	14,226	16,186	n/a	n/a	n/a	n/a
Loaded (Export)	15,429	13,892	11,736	17,277	18,566	n/a	n/a	n/a	n/a

Source: Department of Revenue and Taxation, Government of Guam

Notes: Surface measures are in "Thousand Revenue Tons"; Air measures are in "Metric Tons".

Transshipped cargo is cargo that has been brought in by one vessel then transferred to another vessel and sent to another port. It should not be confused with loaded or unloaded cargo.

n/a = Not available; Guam Airport Authority did not provide breakdowns.

Table 11.1. Construction Permits by Type, Guam: 2000 to 2004  
[Thousands of Dollars]

Type of Co	Permit Type	FY 2004		FY 2003		FY 2002		FY 2001		FY 2000	
		Number	\$ Value								
Total		1,348	100,925	1,578	125,645	856	95,308	1,082	147,916	1,278	152,243
Residential	N	238	20,361	387	34,450	195	19,963	249	22,734	402	38,475
	A	265	9,852	644	26,506	127	4,390	105	3,883	121	4,419
Apartments	N	2	858	1	203	1	250	1	212	4	2,350
	A	4	164	1	179	5	608	4	158	1	66
Hotel	N	0	0	0	0	0	0	0	0	0	0
	A	2	6,120	7	2,314	5	13,124	1	2,565	7	6,243
Condomini	N	0	0	1	776	0	0	0	0	2	9,666
	A	3	1,169	2	100	6	869	11	12,688	0	0
Commercial	N	16	14,987	9	3,059	8	2,608	12	24,229	14	8,447
	A	113	11,748	96	18,974	55	4,939	101	9,534	91	14,616
Industrial	N	0	0	0	0	0	0	0	0	0	0
	A	0	0	0	0	0	0	0	0	0	0
Religious &	N	2	3,401	1	1,000	4	2,282	5	2,231	0	0
	A	3	551	3	1,617	3	296	2	325	3	421
Gov. of Gu	N	92	20,708	29	20,179	44	35,361	61	44,460	79	33,787
	A	0	0	0	0	0	0	0	0	0	0
Miscellaneous	N	608	11,006	397	16,288	403	10,618	530	24,897	554	33,753

Source: Department of Public Works, Government of Guam.

N = New

A = Addition

Table 12.1 . General Fund -- History and Forecast, Guam: 2000 to 2004

[Millions]

General Fund	2004	2003	2002	2001	2000
Revenues (& Sources)	389.4	426.3	319.6	613.9	605.3
Expenditures (& Uses)	268.5	342.6	313.0	564.2	654.2
Operating Surplus (Deficit)	(22.0)	(88.9)	(113.0)	49.7	41.1
Fund Balance	(336.1)	(314.1)	(209.6)	168.4	118.7
Indebtedness	n/a	330.8	388.4	280.0	316.0

Source: Department of Administration, Government of Guam

Note: Numbers in parentheses ( ) denote negative.

2004 figures are unaudited.

n/a = Not available.

Generally speaking, these statistics show that Guam's economy has somewhat stabilized, and that signs of an economic rebound are everywhere. Tourist arrivals are returning to and exceeding previous year's level, military spending has increased and is expected to continue increasing with the home porting of additional military units, expansion of existing units and increased port visits. Foreign investment is also expected to rebound, given the lowering of land prices in Guam and instabilities in various geographic regions within the Pacific Rim. As a result, Government revenues are expected to increase, possibly even with the return of gross receipts taxes to the 4% level (from 6% over the past year), enabling the public sector to fund improvements to basic services and encouraging private sector investments. The impact of rising oil prices upon Guam's economic rebound however remain unknown.

## Effectiveness in Meeting Goals - Status of Projects

**New Wharf and Land Reclamation** - The Port Authority of Guam is administering a federal grant from the Economic Development Administration, U.S. Department of Commerce for “Architectural and Engineering Design and E.I.S. for Deep Wharf in Apra Harbor. Total amount awarded is \$1.5 million (\$1.2 million federal funding, with \$300,000 local match). The grant duration is from July 2002 thru June 2007. The purpose of the grant is to prepare an architectural and engineering design and environmental impact statement for a new deep wharf in outer Apra Harbor. The A&E design is for the proposed construction of 2,900 lineal feet of new wharfage and 3,000 lineal feet of reclaimed land. It is estimated that this project would require approximately 500,000 cubic yards of fill material for land reclamation. The professional A&E firm selected by PAG expects to complete the design phase by the end of 2005. Funds have also been provided to the U. S. Army Corps of Engineers for preparation of the Environmental Impact Statement for the project. Estimated completion date of the EIS is mid 2006. Estimated cost for actual construction and installation of required infrastructure and superstructure is \$88 million. Funding for construction phase has yet to be obtained.

**Tumon Business Improvement District** – Bill 98 has been introduced for review and passage by the Guam Legislature.

**Regional Recycling Opportunity (Regional Solid Waste Facility)** – Legislation to adopt Rules and Regulations for Recycling and Shipping Qualifying Certificate has been introduced with public hearing held on September 17, 2003. Rules and Regulations have been approved by GEDCA Board in November. Bill 180 to adopt Rules and Regulations and amend PL 25-127 to correct inconsistencies will be taken up in an upcoming Legislative session.

The following legislation in support of island recycling initiatives has been enacted into public law:

PL 25-127 – provides tax incentives to companies engaged in recycling & transshipment of recyclable materials.

PL 27-37 – creates a municipal recycling program in Guam’s villages.

PL 27-38 – Creates a recycling revolving fund to fund the recycling of automobiles, trucks, heavy equipment and white goods.

**Immigrant Investor Visa Pilot Program** – Guam’s unemployment rate continues to shrink from a high of 11.3% in 2004 to its current 7.7%. As a result, Guam is no longer qualified as a “targeted high unemployment area” under the EB5 program. The pilot program will only relax the number of full-time jobs required, but does not change the criteria with respect to the amount of investment. Therefore, the advantages to Guam are negligible and Regional Status is no longer being pursued.

**Emerging Money Manger Program** – GEDCA has prepared draft legislation in conjunction with private sector input to establish the Guam Emerging Money Manager Program (GEMMP), a local reinvestment program utilizing the investment portfolio of Government of Guam Retirement Fund. GEDCA was awaiting the installation of the new Board of Directors of the GovGuam Retirement Fund before seeking approval of various policies that would affect this new legislation. Currently, GEDCA will formalize a strategy to introduce this legislation with support from GovGuam Retirement.

**Fishermen Coop Building Complex** – This project was earlier withdrawn from EDA consideration. An application has been submitted by the Coop under the American Natives Act for funding to design the facility and prepare the environmental studies required. The intent is to resubmit the application for construction funding in EDA’s next funding cycle.

**Military Prepositioned Ships** – Discussions have commenced with private industry in which political, labor and technical obstacles in the creation of this industry have been identified.

**Tumon Infrastructure Improvements** – The Project was divided into the following phases:

Phase I (Westin Hotel Intersection to Acanta Mall) - construction was completed in March 2000.

Phase II (Acanta Mall to Hilton Hotel Intersection including Tumon Loop Road) –construction was completed on December 31, 2004.

Phase III (Gogna Road to Westin Hotel Intersection) - Design was completed in December 1998 but will need major design revision due to drainage re-channeling. The Guam Legislature has appropriated up to \$2,000,000.00 to begin Phase III of Tumon Improvement projects to include repair of the existing roads and resurfacing of the road up to the Nikko hotel. P.L. 28-27 was signed into law by Governor Camacho on April 22, 2005 and DPW is in the process of initiating all construction proposals. This phase has not been bid out for construction.

A separate project for the repair of failed road surfaces in Phase I is being designed by a private A/E firm and will by advertised for bidding by August 2005.

**Call Centers** – A feasibility study undertaken by GEDCA has determined that call centers are not a viable industry for Guam due to increased competition from India, Mexico and other countries. Guam’s geographic proximity is no longer an advantage compared to these domiciles which have lower labor and administrative costs.

**Captive Insurance** –Work resumed with the Guam Captive Insurance

Association to incorporate a new Protective Cell Captive law into the Guam Captive Insurance Program. Public Law 27-54 was enacted, separating the Office of the Insurance and Banking Commissioner from the Director's Office of the Department of Revenue and Taxation, allow greater focus and expertise in insurance and aligning Guam with its captive insurance competitors. A California construction company has incorporated a captive workman's compensation recently, and a pre-selected target group of twenty large Filipino companies will be presented in late May with Guam's captive advantages. If successful, this marketing effort will be extended to other Asian countries.

PL 27-54 - includes protected cell captives into the Captive Program enacted into law. Inquiries from USVI, Japan and the Philippines continue to be received. Domestic captive market areas such as medical malpractice are also under development in partnership with Guam Captive Association. GEDCA is planning for a reverse Trade Mission for potential captive parents to be held in Guam in latter part of 2005.

**Fisheries /Aquaculture Development (Guam Domestic Fisheries) –**

Preparation of a grant application was placed on hold until the 2006 grant cycle due to staff shortages. GEDCA will seek assistance of UOG College of Agriculture and Guam Dept of Agriculture to provide staff and technical support to develop this grant application.

**Tumon Bay Drainage System** – Current information was not available for this project.

**Marina Development** - (See Fishermen's Cooperative Building Complex)

**Guam-based Trusts** – GEDCA awarded a \$500K Professional services contract to a Washington based consulting group who among other things, has been tasked to conduct a comprehensive assessment on the viability of Guam's Trust and Captive programs and identify niche markets and develop a marketing strategy. The final report to be issued at the end of July 2005.

**Airline Flight Kitchen** - Similar to the consolidated cargo facility, the Guam International Airport has initiated discussion with the Economic Development Administration for the demolition (Phase II – Construction) phase of this project. Demolition of the existing facility and site preparation for the flight kitchen is part of phase II.

**Phase II – Construction (Demolition of Enlisted Housing Complex)** – The Guam International Airport Authority submitted a pre-application to EDA on October 2004 and then made a formal presentation to the EDA Regional Review Committee (Seattle, Washington) on November 2004 for this project. The overall

project encompasses 92 acres and was formerly the Naval Air Station enlisted housing complex. The work involves the complete demolition of approximately 110 buildings/structures, removal of asbestos and lead-based paint, clearing and grubbing, disposal of related refuse, and grade elevations. It is estimated that the completion of this project, to include the Airline Flight Kitchen and new Consolidated Air Cargo Center, will create approximately 450 new jobs, retain about 300 jobs, and promote Guam's potential as a hub for cargo activity in the region.

**Agana Bridges** – The reconstruction of Agana Bridge involves the design of reinforced, pre-stressed concrete bridge utilizing standard AASHTO I-beams or their equivalent for the superstructure. The project is funded by the Federal Highway Administration in the amount of \$ 405,900. Manjares Engineering completed 90% of the project plans, specifications and estimates. Comments on the design were submitted but not incorporated in the 90% design due to the death of the engineer of record. The final design will be contingent on the Army Corp of Engineers Hagatna Flood Plain Study.

**Hagåtña Revitalization** – HRRA has awarded the A&E contract to Rims Architects on May 9, 2005 for the development of the Hagatna Master Plan. The plan will include guidelines for land use, zoning codes, design guidelines and regulations. GEDCA has presented HRRA with an economic concept model that will be incorporated into the economic portion of the master plan to develop a cultural destination development to assist with downtown revitalization. GEDCA will also assist in consultation with the A&E firm. Completion of the project is anticipated in one (1) year.

**Alternative Dispute Center** – Bill 172 passed and enacted into Public Law 27-81 “the Guam International Arbitration Law”. Non-resident legal practitioner issues have been favorably addressed through a Guam Supreme Court decision providing a mechanism for non-resident attorneys to conduct case specific, temporary practice in Guam. Non-profit “Guam International Mediation & Arbitration Center” has been created to institutionalize the project initiative. Funding sources to develop the physical plant for the center have been identified and are being pursued with one grant submission under the Administration for Native Americans program. Two seminars focusing on Guam as a venue of choice to host regional arbitration cases were held in February 2004. One was sponsored by an international law firm and held in Tokyo, Japan for the Japanese Bar another, sponsored by the Guam Bar was held in Guam. Current focus for this initiative is continued marketing to private industry and to explore opportunities with federal (military) contract dispute cases. Presentations were made in Hong Kong, Manila, Philippines, and Los Angeles, California.

**New Air Cargo Facility** - As part of this project, the Guam International Airport has commenced with a Cargo Facility Study/Airport Master Plan update. This study which is primarily funded by Federal Aviation Administration (FAA) is scheduled for completion by July 2005. Guam International Airport has initiated discussion with the Economic Development Administration for Phase II

(construction) of this project. Phase II consists of the demolition of the existing facility and site preparation for the consolidated cargo facility.

**Transportation and Distribution** – Preliminary research has been conducted regarding regional potentials of this initiative. GEDCA awarded a \$500K professional services contract to a Washington based consulting group who among other things, has been tasked to conduct a comprehensive assessment of the viability of this initiative. The final report will be issued in July 2005. Upon completion, the Governor is expected to issue an executive order creating a task force of transportation professionals and applicable government agencies to implement the action plans necessary to develop Guam into a Regional Distribution Center.

**Regional “back office” facility** - GEDCA awarded a \$500K professional services contract to a Washington based consulting group who among other things, has been tasked to conduct a comprehensive assessment of the viability of this initiative with the final report to be issued in July 2005. The Governor is expected to issue an executive order to create a task force of private sector stakeholders and applicable government agencies to implement the action plans necessary to develop Guam into a Regional back office center for targeted areas – education & certification training, expatriate retreat, and as a staging area for US firms interested and exploring the concept of establishing a presence in Asia.

**Aviation Flight Schools** - Preliminary work has been performed on the aviation flight school as part of the Guam International Airport Master Plan update. In addition, Guam International Airport has requested federal assistance to conduct a General Aviation Site Selection Master Plan update. The Federal Aviation Administration is funding both Master Plans (scheduled for completion by July 2005) which will serve as the foundation for the establishment of an aviation flight school for Guam.

**GWA USEPA Compliance Order** –GWA is continuing to move forward with compliance with the Stipulated Order. GWA has made substantial progress towards restoring its chlorination systems and GWA is now in full compliance with the Safe Drinking Water Act. A major challenge has been the ability to attract and retain qualified personnel to operate its facilities. As a result of this difficulty, GWA has recently been fined approximately \$17,000. GWA is on the verge of completing a \$17 million financing package for radio read meters and some small equipment. GWA is also in the process of finalizing documents for a bond issuance of between \$60-70 million targeted for August 2005.

**Telecommunications Industry Training Program** - Efforts are being undertaken to convene an industry working group to identify industry development opportunities. Because the industry is technology driven, market conditions can change rapidly. The working group would provide key input to GovGuam’s effort to develop a competitive incentive package for this new

industry.

**Northern Industrial Park** – GovGuam pursued this project with the Department of the Interior in conjunction with the Department of the Air Force. However, as the site selected is located within an accident potential zone designated by the Air Force for its aircraft operations out of Andersen Air Force Base, the request for use of this federal property was denied.

**Film Industry Development** – Working to develop Guam as regional center for film crews from Asia and the U.S. Working group addressing establishment of a Guam film commission office. The company, Rigel Entertainment CEO John Laing has created a local company called the Guam Motion Picture Company (GMPC). GMPC has completed shooting and post-production of the action film “Max Havoc. The film utilized local talent and crew to assist with the project. Approximately 90% of the 90 minute production was shot on Guam utilizing the Pleasure Island/ Tumon area. The film was financed by Comerica bank utilizing a GEDCA GDFA loan guaranty. The film is pending world wide release in the DVD market in Fall 2005. Currently, Guam is preparing for a local premier of the film. The Guam Film Commission is awaiting appointment of a Film Commissioner.

**Tiyan Infrastructure System** – This project is not actively being pursued as the land area on which the system is to be located, was transferred to the Guam Ancestral Lands Commission for transfer to private landowners as required by local law.

**Northwest Parkway Project** - The House of Representatives earlier passed HR 3550, which appropriated \$3 Million for this project, beginning in 2005. The House bill needed to be reconciled with the Senate version. The status of this appropriation is unknown at this time.

**Marine Drive Bypass** – The Guam Legislature passed legislation mandating the transfer of property proposed for this project to original landowners. As a result, this project can no longer be pursued.

**Small Business Incubator** – Although design of the facility has been completed under a grant from EDA for just under \$200,000, lack of construction funding has prevented this project from progressing. The location of the facility may need to be revisited based upon on-going construction at the University of Guam.

**State Statistical Center** – No action has been taken regarding this initiative.

**Regional Software Support** – No action has been taken regarding this initiative.

**Multi-purpose Fishing Vessel** - No action has been taken regarding this initiative.

**Tumon Bay Light Rail System** - The House of Representatives earlier passed HR 3550, which authorized funding for “alternatives analysis and preliminary engineering” of this project, beginning in 2005. The House bill needed to be reconciled with the Senate version, the status of which is currently unknown.

#### **Other Projects:**

**Increasing Military Presence** – Presentations have been given by the Government of Guam and the Guam Chamber of Commerce to the U. S. Military at all levels in an effort to increase the number of personnel home ported and visiting Guam and the level of funding for military activities. A third submarine was home ported in Guam this year and discussions are underway regarding the home porting of additional Naval and Air Force units in Guam. Over \$165 Million is currently included in the FY06 National Defense Authorization Act which has passed the House of Representatives.

**Medical Residency Program** – An American Natives Administration (ANA) grant application has been submitted to establish a Guam Medical Residency Program. The grant was approved in September of 2004 for \$500,000 for three years. GMHA has received first year funding and has been preparing the necessary groundwork to implement the program. A second year funding request has been submitted and the preliminary indication is that funds will be made available to continue the program.

**Aquaculture Cooperative** – The Department of Agriculture is preparing the ANA grant application for submission in early 2006.

**China Trade Initiatives** – No action has been taken regarding this initiative as the project has been put on hold.

**2004 New Construction/Rehabilitation of Guam Schools** – A financing plan to achieve the Governor’s objective of building 7 new schools as well as rehabilitating existing ones has been structured. The RFP for the new school construction phase of the process will be issued by the Department of Public. The payment stream for this phase will be a portion of Compact Impact funds.

The second part of the plan, the rehabilitation of existing schools, will require legislation to secure the payment of this phase with general fund proceeds to be released upon maturity of the 1995 bonds in 2006. Legislation should be finalized shortly with the official RFP to be sent out shortly after.

The Governor of Guam, through the Department of Public Works, received a proposal to obtain 4 new school facilities and the conversion of an elementary school to a middle school through a municipal leaseback program. The Finance, Design, Build, Maintain and Leaseback (FDBML) proposal for the 5 schools will

cost the government approximately Sixty Million Dollars (\$60,000,000.00) and will be paid by annual Compact Impact Grant Funds.

On February 2<sup>nd</sup>, the DPW officially awarded the contract to the Guam Education Facilities Foundation (GEFF) and attempted to execute a lease. The AG had returned the lease without his signature for the following reasons:

- The Guam Education Policy Board must be involved in the decision of which schools are built and where;
- The Chamorro Land Trust Commission must sign off on Land Trust property on which schools will be built; and
- The Legislature must approve the lease on several of the properties on which the schools will be built.

The working group has worked diligently to address all issues raised by the AG and the Guam Legislature. We anticipate having the final approvals later this year for a closing at that time. Work completed includes the following:

- Receipt of Chamorro Land Trust Commission Resolution approving the use of the sites for school construction project.
- Presentation to the Guam Education Policy Board on March 24<sup>th</sup> led to the passage of their resolution also supporting the efforts of the Governor for this project.
- Preparation and final transmission of amended legislative language to the existing statute which reflects required changes for the transaction. Bill 101 was co-sponsored by Senator Kasperbauer and Senator Forbes with a public hearing held on April 27<sup>th</sup>. The bill is expected to be passed by the Legislature at the next legislative session.

**\$218M Deficit Financing Bond** – Public Law 27-19 gave the authority to issue Limited Obligation Bonds Anticipation Notes and Limited Obligation Bonds in order to fund certain obligations that may otherwise go unpaid this Fiscal Year. Because of the favorable low interest rate environment, and strong demand for the triple tax exemption that Government of Guam bonds enjoy, there should be good demand from a broad array of investors, including money managers, bank trusts departments, insurance companies and bond funds. Bonds should be floated by the fourth quarter of 2004, assuming the court rules against the Attorney General's suit.

Under Public Law 27-19, GEDCA was given the authority to issue Limited Obligation Bonds Anticipation Notes and Limited Obligation Bonds on behalf of the Government of Guam in order to fund certain obligations that may otherwise go unpaid this Fiscal Year.

Attorney General Litigation - The issue of whether the government of Guam can borrow in the bond market has been challenged by Guam's Attorney General Douglas Moylan in the U.S. 9<sup>th</sup> Circuit Court of Appeals. A.G. Moylan

has opposed additional borrowing, arguing that the government appears to have exceeded its legal borrowing limit. He has said the borrowing ceiling for the government of Guam is less than \$400 million because real property is assessed at 35 percent of its value for tax purposes.

Arguments have been filed by the AG's office and by Attorney Arthur Clark on behalf of the Governor of Guam. The oral arguments were presented to the Ninth Circuit in May 2004 in Hawaii.

On December 8, 2004, the government renewed its request for expedited judgment on the case reminding the court that they already issued an order to expedite the decision and pointing out, again, the dire needs of the island.

Subsequently, in October 2004, U.S. Public Law 108-378 became law and terminated the Ninth Circuit's appellate jurisdiction over the Supreme Court of Guam. A question arose as to whether the Ninth Circuit would retain jurisdiction over pending appeals from the Supreme Court of Guam already before the Ninth Circuit.

- The Ninth Circuit requested that the parties in *Anthony D. Santos v. People of Guam*, a case already pending before the Ninth Circuit, brief the issue of whether in light of the passage of U.S. Public Law 108-378 the Ninth Circuit retains jurisdiction over appeals currently pending before that court. It has advised us in our case that it is reserving its ruling until it issues a decision in the *Santos* case, which is still pending.
- We anticipate that the Ninth Circuit will retain jurisdiction based on its ruling in *Wabol v. Villacrusis*. In *Wabol*, the Ninth Circuit addressed the similar issue of whether it lost jurisdiction over pending appeals as a result of the creation of the CNMI Supreme Court. The Ninth Circuit held that the CNMI Legislature could not divest itself of jurisdiction over pending appeals. Although there are some differences between the situation in the CNMI and Guam, we expect that the Ninth Circuit will decide the issue consistent with its ruling in *Wabol* and retain jurisdiction over all pending appeals from the Guam Supreme Court.

**Judicial Council Refinancing Activities** –The court is beginning the process of refinancing its existing debt with USDA and to borrow an additional \$1.6 million to pay for outstanding legal fees associated with the defense of indigent persons. An evaluation team finalized their recommendation to secure a note with the Bank of Guam and presented it for Judicial Council approval in March. The Judicial Council accepted the recommendation with the caveat that the funds from the bank not be released until the current USDA note status of debt relief qualification is explored.

In March, 2004 GEDCA had assisted the Judicial Council in the financial review of proposals to refinance its existing debt with USDA and to borrow an additional \$1.6 million to pay for outstanding legal fees associated with the defense of indigent persons. The goal of the refinancing was to take advantage of low interest rates therefore reducing existing debt service payments to cover other

expenses.

Final action on the refinancing was put on hold until the AG's litigation related to the incurrence of new government debt is resolved at the US 9<sup>th</sup> Circuit Court of Appeals.

**LOC** – A \$20 million line of credit seeks to provide a Revolving Line to satisfy FEMA matching and insurance issues pursuant to Public Law 26-174 as amended by Public Law 27-46 to allow completion of various typhoon-related projects.

The Government of Guam, through GEDCA, issued a series Request for Proposals which sought a Lender to provide a Revolving Line of Credit up to Twenty Million Dollars (\$20,000,000) to address damages resulting from disasters prior to December 2003 and the requirements by FEMA to provide insurance on government buildings and to secure FEMA funding for repairs pursuant to Public Law 26-174 as amended by P.L. 27-46.

At the request of the Office of the Governor, GEDCA canceled the proposal because the specific projects identified in the law had already been completed over time and no longer require financing.

### **Port Master Plan**

The Jose D. Leon Guerrero Commercial Port / Port Authority of Guam Master Plan was last updated and amended in February 1999 while the BRAC 95 process was ongoing. A significant portion of that master plan was to identify opportunities for the continuing economic development of the Port Authority and the local economy based on the return of suitable real estate holdings from the Department of Defense to the Government of Guam. In part, due to the dynamics of the Asian Pacific economies and the importance placed on the U.S. military defense posture in the Asia Pacific region, the Master Plan assumptions as presented are now out of date. The Port Authority of Guam estimates that the cost to obtain professional services to develop a new Port Master Plan to be in the range of \$300,000 - \$500,000.

### **Port Privatization Process**

Public Law 27-60 directs the PAG Board of Directors to issue a Request for Proposal (RFP) to privatize terminal operations and maintenance activities. The deadline for proposal submission is July 1, 2005.

### Objectives for the Upcoming Year

The overall objective for the upcoming year is to implement the Governor's "Ten

Strategic Initiatives to Grow the Guam Economy.” All appropriate projects contained in the Guam CEDS will be pursued by the various GovGuam agencies focusing heavily on those that:

1. Sustain the rebound of the tourism sector;
2. Agressively promote Guam’s military strategic value with respect to the War on Terror and Homeland Security, attracting more military assets and increasing use of existing assets;
3. Diversify local industry and create jobs uncorrelated with tourism; and
4. Improve quality of life on Guam for residents, visitor, the military and foreign investors.