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Governor of Guam

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BUREAU OF STATISTICS & PLANS

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Lorilee T. Crisostomo
Acting Director

JAN 16 2013

Office of the Speaker
Judith T. Won Pat, Ed. D.
Date 1/16/13
Time 3:00 p.m.
Received by JS-[illegible]

The Honorable Judith T. Won Pat, Ed.D
Speaker
I Mina' Trentai Dos Na Liheslaturan Guåhan
155 Hesler Street
Hagåtña, Guam 96910

Dear Speaker Won Pat:

Subject: REPORTING REQUIREMENT PURSUANT TO PUBLIC LAW 29-113

I hereby transmit the report pursuant to Public Law 29-113, Chapter 13 of Title 2, Guam Code Annotated Section 13109(a)(2) in coordination with the Guam Department of Labor, and input from the majority of members of the Special Economic Service, the impact of both military and non-military federal expenditures on Guam's economic growth, employment, tax revenues, and other variables for the next year compared with the previous five years. This report will be posted on our website shortly.

Please contact me at 472-4201/3 should you require more information.

Sincerely

Lorilee T. Crisostomo
Acting Director

Enclosures:

Public Law 29-113,Chapter 13 of Title 2, Guam Code Annotated Section 13109(a)(2) Summary Report
FY2013 Executive Budget Transmittal Letter and Economic Outlook, Office of the Governor January 31, 2012

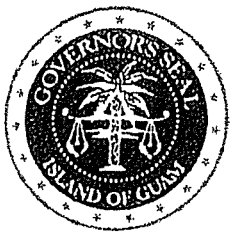
Public Law 29-113, Chapter 13 of Title 2, Guam Code Annotated Section 13109(a)(2)

			Summary Report			
FEDERAL/MILITARY CONTRIBUTION	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Federal Expenditures[1]	$1,532,802,274	$1,395,995,361	$2,012,457,274			
DOD Federal Agency Transactions[2]	$629,943,631	$456,769,094	737,700,000			
Gross Value of Military Transactions[3]			$524,000,000	$1,302,000,000	$2,213,000,000	
Military Impact on Guam GIP[4]			$185,000,000	$455,000,000	$755,000,000	
ECONOMIC IMPACT						
Construction Permits[5]	210,295,000	262,471,000	278,749,000	216,794,000	363,930,000	301,125,200
Employment[6]	60,970	60,100	62,180	60,590	61,140	NA
Unemployment Rate[6]		9.3%		13.3%	10.9%	NA
Military Employment Demand[7]			6,041	14,440	22,701	
General Fund Revenues[8]	$513,191,000	$483,150,000	$496,139,000	$552,356,000	$678,802,003	$696,098,131
Military to Guam Tax Revenues[9]			$65,404,000	$163,088,000	$269,192,000	
Tourism Arrivals[10]	1,179,246	1,053,248	1,170,857	1,147,134	1,270,161	1,300,000
Average Change in Price Level[11]	6.2%	1.7%	3.0%	3.3%	3.2%	NA
Population Projection[12]	175,877	178,287	159,358	159,600	159,914	160,378
Military Population Increase[13]			11,038	27,835	44,301	

Footnotes:

1) Source: Department of Labor, Review of Federal Expenditure Trends Release #2009-01, January 14, 2009; and #2011-08, November 22, 2011
2) Source: Guam Economic Development Authority, Federal Transactions for Work Performed in Guam 2000-2009: January 2011 Draft; FY2010 Governor's Budget Proposal
3) Draft EIS Overseas Environmental Impact Statement: Guam and Military Relocation November 2009: Table 4.3-35 Unconstrained
4) Draft EIS Overseas Environmental Impact Statement: Guam and Military Relocation November 2009: Table 4.3-39 Unconstrained
5) Source: Department of Public Works Fiscal Year Totals, FY 2013 is estimated
6) Source: Guam Department of Labor September Employment and Unemployment Reports (March 2011 & September 2009, 2012)
7) Draft EIS Overseas Environmental Impact Statement: Guam and Military Relocation November 2009: Table 16.2-11
8) Source: Department of Administration, FY2004-2011 (Office of the Public Auditor - audited), FY2012 (PL 31-77 Budget Act), FY2013 Governor's Executive Budget Request
9) Draft EIS Overseas Environmental Impact Statement: Guam and Military Relocation November 2009: Appendix F SIAS Table 4.3-28, 29 & 30 Unconstrained
10) Source: Guam Visitors Bureau Fiscal Year Totals, FY2013 is estimated
11) Source: Bureau of Statistics and Plans
12) Source: Guam 2000 Census of Population and Housing (2000-2009); Guam 2010 Census of Population and Housing (2011-12 are estimates)
13) Draft EIS Overseas Environmental Impact Statement: Guam and Military Relocation November 2009: Table ES-1 Unconstrained

EDDIE BAZA CALVO
Governor



RAY TENORIO
Lieutenant Governor

Office of the Governor of Guam

January 31, 2012

Honorable Judith T. Won Pat, Ed.D.
Speaker
I Mina'trentai Unu Na Liheslaturan Guåhan
155 Hesler Street
Hagåtña, Guam 96910

Dear *Madam* Speaker:

Our government is poised for an economic upsurge not solely dependent upon the impending military build-up but upon our island's own economic expansion through investments from countries including Japan, Korea, China, Taiwan, the Philippines and others. There are positive short and long range economic benefits that will translate into more jobs and more revenues. However, all these anticipated investments require planning and hard work in order to move from "anticipated" to "realized" investments and subsequent actual revenues. Fiscal Year 2013 is the year that transitions this government from a weak financial posture to fiscal stability and a strengthened financial and economic outlook.

In the first quarter of fiscal year 2012, this government sought and received financing through the BPT Series 2011A Bond for Status A unpaid tax refunds for TY2010 and prior, as well as for payment of the Cost of Living Allowance judgment. However, there still remains substantial cash requirements needed for the payment of the non-Status A tax refunds, TY11 refunds and the remaining outstanding obligations which are part of the $336M FY 2010 deficit and the projected FY 2011 deficit. In addition, there are millions of dollars owed for unfunded obligations which this government has carried forward each year and which greatly exacerbates its inability to set aside cash for tax refunds and to be current with vendor payables. This, in summary, is the driving force behind the development of the fiscal year 2013 Executive Budget. The FY 2013 Executive Budget I am transmitting herewith is my proposed financial plan that is structured to deal with the fiscal challenges confronting us today.

As *I Liheslaturan Guahan* is well aware, the government of Guam is faced with the responsibility of fulfilling the ever increasing demand for public services attributed to the growing island population

along with the migration phenomenon that has compounded the stress on financial resources available for health care, education, public safety and other critical needs of the community. Notwithstanding these primary obligations, we are all compelled to engage in the search for appropriate financial solutions and to create viable opportunities to help our people enhance their current state of livelihood preferably in the direction that will afford every household provider and their families with a higher standard of living and equal access to the most basic and essential services this government can provide. It is with this spirit and intent that we must collectively view how our government operates and how it provides services to the people. I look forward to providing the leadership and guidance needed to bring fiscal stability to this government while soliciting the support and cooperation of all other leaders in government who wish to bring about positive change in the manner which we govern the financial resources available to the public.

REVENUES

Projected gross revenues for the General Fund (GF) are $695 Million; which is approximately $11.2 Million or 1.59% less than the GF revenues identified in the FY 2012 Appropriation Act of $706.3 Million, which is inclusive of $18.3 Million from the Guam Waterworks Authority (GWA) Reimbursement.

Special Fund revenues are projected at $155.3 Million and are $14.4 Million or 10.2% more over FY 2012 projection of $140.9 Million. The Federal match is projected at $48.0 Million, which is $7.2 Million or approximately 17.7% more than the FY 2012 of $40.8 Million.

The overall revenues available from all fund sources are:

∘ General Fund	$569.2 Million
∘ Special Fund Revenues	$155.3 Million
∘ Federal Matching Grants-in-Aid	$ 48.0 Million
Total Revenues for Appropriations	$772.5 Million

APPROPRIATIONS

I am requesting a total of $772.5 Million in appropriations for the FY 2013 Operational Budget of the Government of Guam with the breakdown identified below:

Program	General Fund	Special Fund	Federal Match	Grant Total
Executive Direction	$11,312,476	$639,178	$1,547,700	$13,499,354
Public Safety	$81,975,569	$3,214,214	$726,136	$85,915,919
Homeland Security	$0	$9,156,099	$0	$9,156,099
Health	$70,665,261	$20,603,909	$29,657,392	$120,926,562
Education	$221,454,146	$28,948,863	$4,001,178	$254,404,187
Finance & Administration	$8,263,778	$1,193,716	$0	$9,457,494
Natural Resources	$6,392,852	$5,178,943	$288,500	$11,860,295
Labor	$1,853,978	$1,592,908	$43,800	$3,490,686
Tourism & Culture	$3,192,052	$40,000	$307,500	$3,539,552
Transportation	$10,436,028	$20,825,278	$0	$31,261,306
Revenue & Taxation	$9,784,697	$2,077,271	$0	$11,861,968
Total Executive Branch	**$425,330,837**	**$93,470,379**	**$36,572,206**	**$555,373,422**
Total Miscellaneous Appropriations	**$58,280,107**	**$18,019,198**	**$0**	**$76,299,305**
Total Continuing Appropriations	**$32,073,820**	**$29,653,106**	**$0**	**$61,726,926**
Other Appropriations	**$53,477,615**	**$14,157,372**	**$11,509,528**	**$79,144,515**
Grand Total	**$569,162,379**	**$155,300,055**	**$48,081,734**	**$772,544,168**

PUBLIC EDUCATION

Education is the primary means to solving most of our social and financial ills, prevalent in our island community. We need to provide the necessary resources needed at the primary, middle, and secondary levels of Guam Department of Education (GDOE). We also need to provide resources to the University of Guam (UOG) and the Guam Community College (GCC) to prepare our young adults for the leadership roles that they will undertake in the future. To ensure that we provide such resources, in spite of the limited revenue resources, I am requesting the appropriation level of $268.7 Million. The breakdown of this request is noted below and is inclusive of both operational and miscellaneous appropriations:

Program	General Fund	Special Fund	Federal Match	Total
Guam Department of Education	$184,641,760	$30,440,617	$0	$215,082,377
Guam Commission on Educator Certification	$203,831	$0	$0	$203,831
University of Guam	$29,989,847	$3,662,048	$2,943,706	$36,595,601
Guam Community College	$14,006,669	$1,712,602	$1,057,472	$16,776,743
Total	**$228,842,107**	**$35,815,267**	**$4,001,178**	**$268,658,552**

PUBLIC HEALTH

The challenges associated with the health programs continue to recur each year. The Guam Memorial Hospital Authority (GMHA) continues its struggle to meet payroll and other operating expenses. The Department of Public Health and Social Services (DPHSS) is confronted with the challenges imposed on the Medically Indigent and Medicaid programs. Department of Mental Health and Substance Abuse (DMHSA) and the Department of Integrated Services for Individuals with Disabilities (DISID) continue to struggle with the court-ordered Permanent Injunction. Surprisingly, we have met all these challenges and will continue to do so in FY 2013. Therefore, for this program, I am seeking an appropriation amount of $124.2 Million that is needed to meet these same challenges in FY 2013. The funding breakdown for this request is noted below and is inclusive of both operational and miscellaneous appropriations:

Program	General Fund	Special Fund	Federal Match	Total
Public Health & Social Services	$51,632,070	$6,562,289	$26,438,879	$84,633,238
Integrated Services for Individuals with Disabilities	$1,235,770	$694,763	$2,992,651	$4,923,184
Mental Health & Substance Abuse	$16,322,966	$2,860,634	$225,862	$19,409,462
Residential Treatment Fund	$1,200,000	$0	$0	$1,200,000
Guam Memorial Hospital Authority	$2,413,495	$11,607,693	$0	$14,021,188
Total	**$72,804,301**	**$21,725,379**	**$29,657,392**	**$124,187,072**

PUBLIC SAFETY

The safety of our island citizenry is of a paramount concern of this administration. The Public Safety programs are always in need of additional funding as the departments under this program provide the safety net we need to keep the citizenry and visitors to our island safe. Unfortunately, we do not have the revenues at this time to provide this program with the resources it truly needs. To give this program the funding it deserves would take away from the other priorities such as Public Education and Public Health and other programs that are already receiving the bare minimum funding for operations. But, in this budget, Public Safety will receive slightly more than the levels provided in FY 2012. Given this situation, I am requesting $98.5 Million for Public Safety and the breakdown of this request is noted below to include miscellaneous appropriations:

Guam Police Department	$ 27,803,761	$ 538,858	$ 726,136	$ 29,068,755
Guam Fire Department	$ 27,989,678	$ 1,723,695	$ -	$ 29,713,373
Corrections	$ 21,472,981	$ 951,661	$ -	$ 22,424,642
Youth Affairs	$ 4,978,550	$ -	$ -	$ 4,978,550
Chief Medical Examiner	$ 426,599	$ -	$ -	$ 426,599
Customs & Quarantine	$ -	$ 9,156,099	$ -	$ 9,156,099
Total	**$ 82,671,569**	**$ 12,370,313**	**$ 726,136**	**$ 95,768,018**

The foregoing programs are primary vehicles to ensure that education, health and public safety are achieved in times of limited financial resources. It is important to note that other programs included in this budget are needed to support the services we provide for the benefit of the community.

I look forward to your favorable consideration of the FY 2013 Executive Budget.

Senseramente,

EDDIE BAZA CALVO

Economic Outlook for Guam
Fiscal Year 2013

Summary

The Guam economy is anticipated to be characterized by continuing stability for FY 2013 without major expansion or contraction. Continuation of the recovery in the Japan visitor sector from the March 11, 2011 Japan natural disaster in the latter half of 2011 combined with expansion from other Asian markets resulted in a first quarter Fiscal Year 2012 General Fund revenue increase of 4.8 percent over the first quarter of Fiscal Year 2011. This followed a strong Fiscal Year 2011 closing which showed total revenues up by $44.2 million or 7.7 percent from Fiscal Year 2010. Revenues, however, remained below budget due to the Japan downturn and delay in defense buildup projects related to relocation of Marines from Okinawa to Guam.

In FY 2013, continued recovery in the Japan tourist sector and expansion in other markets may off-set some of the reductions in federal operational expenditures and defense contracting appropriations anticipated due to budgetary constraints, increasing deficits and political considerations. The amount of such reductions for Guam remains to be seen. The President's FY 2013 federal budget should provide substantial insight when it is introduced early this year but the actual amounts and Guam's share of the sacrifice won't be settled until the Defense Appropriation and other operational budgets are passed later in the year.

In FY 2013 construction activity is expected to remain relatively stable near the levels of the last several years with the annual dollar value of construction in the $500 million range and industry employment about 6,000. While a number of Department of Defense projects related to the Marine relocation projects are on hold, a sufficient number of large projects, federal, local and private, with multi-year construction schedules have already been contracted to ensure continued relatively stable industry activity in FY 2013. Well over a billion dollars in appropriations from the United States and Japan combined are currently available for various buildup related projects and infrastructure. This provides some upside potential for the construction industry and the economy as a whole should issues regarding the buildup in Japan and the United States be resolved permitting at least some of the planned but stalled projects to proceed.

Tourism

The collection of tourism related industries comprise a major share of Guam's economy. These include air and ground transportation, hotels, eating and drinking establishments, retail and services as well other industries and sectors including wholesale trade and government services. As tourism is sensitive to a number of economic and other factors and the economy of Guam is heavily reliant on tourism, the industry volatility can have significant impact on the future outlook.

For the first quarter of FY 2012, Japan visitor arrivals had recovered to pre-tsunami levels, although for the calendar comparison from 2010 to 2011 Japan arrivals were down 7.8 percent. If at least the 2010 level of arrivals is maintained, the annual arrival numbers for Japan visitors for 2012 and 2013 would rise by 7.8 percent from the depressed CY 2011 levels. Guam Visitor Bureau projects the number of visitors to be up by 10.6 percent from FY 2011 to FY 2012, rising to 1.2 million visitors annually. Further expansion beyond the 2010 levels may be possible since 2010 arrivals were weak due to the global financial and economic situation and there has been growth in other markets.

While other tourist markets are relatively small in comparison to Japan, they have shown significant increases. On an annual basis from CY 2010 to CY 2011, in percentage terms, visitors from Korea have increased 10.7, Taiwan 43.3, China 48.0, Australia 23.9 and Hong Kong 29.0 percent.

For FY 2011 the weighted hotel occupancy rate was 70 percent indicating that the industry has the ability to expand measurably in the future with the current hotel capacity in place. Available room capacity increased with the reopening of the Guam Aurora Resort and Spa in December 2011 and is expected to increase further when the Outrigger Bayview Hotel tower, under construction, is completed. The Tumon Bay Shopping Center construction which was well underway may be again proceeding as the Guam Land Use Commission reinstated the project's permits November 10, 2011. The Versace Towers condominium project at Oka Point remains stalled. The industry, which recorded 1,149,978 arrivals in CY 2011, continues to operate well below the 1.4 million visitors accommodated in FY 1997.

Two very recent developments hold promise for the industry; one, the recent approval of admission of Russian visitors with parole authority and two, the President's tourism initiative.

Until January 2011, Russian visitors had to obtain a visa to enter Guam. Despite years of lobbying to include China and Russia in the Guam visa waiver program, the request has not been granted. A visa waiver would reduce the administrative delay and process necessary to book a visit to Guam and subsequently facilitate an increase in the number of visitors. In November 2011, the Department of Homeland Security did grant Guam's request for parole authority for Russian visitors to enter the island visa free. The number of Russian visitors to Guam in CY 2011 was 632. Natalia Bespalova, general manager of Guam Voyage, a Russian tour agency was quoted in a Pacific Daily News story saying she expects the number to at least triple in the first year. To assess the short term future potential of the Russian market in Guam, a look at the Commonwealth of the Northern Marianas Islands provides some perspective; after decades of promoting the Russian market, Russian tourists account for only one percent of the total arrivals whereas Chinese nationals account for ten percent of the market.

To promote a strategy to increase tourists coming to the United States, President Obama directed the State Department in January 2012 to accelerate its ability to process visas by 40 percent in China and Brazil this year. It is estimated that there are 50 million outbound travelers from Mainland China every year. In a special briefing by the U.S. Department of State, it was indicated that the United States issued more than one million U.S. visas for Chinese applicants during Fiscal Year 2011 which represents a 34 percent increase over last year. The goal is to expand capacity to adjudicate more than 2.2 million visas by 2013; over the next year 50 more processing staff positions will be added in China. Visas are issued to nearly 90 percent of all Chinese applicants. The number of Guam arrivals from Mainland China in CY 2011 was 7,068 without a visa waiver in effect. The numbers could increase further with expedited visa approvals and marketing to the over one million Chinese nationals with existing U.S. travel visas which are good for one year. The Mainland China market would grow even faster if parole authority for visa free entrance or a visa waiver program were implemented. Parole authority to provide visa-free entry is a step in promoting this market. However, it is a discretionary authority which could be revoked, so it may be less conducive to long term investment and development than inclusion in a visa waiver program.

Construction

Two of the best available indicators of future construction activity on Guam are the funds appropriated or planned for such projects and the building permits or construction contracts for them. Federal funds appropriated for military construction on Guam as well as Japan Funds appropriated for U.S. based projects related to relocation of U.S. Marines from Okinawa to Guam are shown in chart 1 below.

Chart 1
APPROPRIATIONS

Fiscal Year (FY):	2007	2008	2009	2010	2011	2012
U.S. DOD Military Construction	192,246	345,000	180,000	737,654	176,030	83,600
Japan - Fiscal Year (JFY)			336,000	500,000	582,000	93,000
Combined:	192,246	345,000	516,000	1,237,654	758,030	176,600

The peak year for appropriations for defense construction projects was 2010 and has subsequently declined in both 2011 and 2012. A number of military buildup projects planned for appropriations in the FY 2012 budget were deleted from the final defense authorization law. The new law does not affect previous military construction appropriations from prior years which remain available.

Since a great deal of the funds appropriated have not yet been contracted, the declining appropriation levels are not yet reflected in declining construction levels but could be in years beyond 2013. Construction activity more closely follows construction contracts and for civilian construction, building permits. The values of these indicators are shown in the chart below.

Chart 2
BUILDING PERMITS & CONSTRUCTION CONTRACTS

Calendar Year	2007	2008	2009	2010	2011
Building Permits	305,853	210,295	299,057	184,837	211,097
U. S. Military Construction Contracts	136,747	346,589	148,823	370,413	334,597
Japan Funded Military Contracts					89,720[1]
TOTAL:	442,600	556,884	447,880	555,250	635,4144

Note: [1] Budgeted amount. The full amount of MACC indefinite contracts is not recorded in the above figures, only task orders for specific projects.

Based on the dollar value of the combination of projects expected to proceed as indicated by Building Permits and Construction Contracts, construction would be expected to remain relatively steady in FY 2012 and FY 2013. Of course, if issues delaying the projects for which funds have already been appropriated are resolved, construction could increase but probably not tremendously in the FY 2013 timeframe due to the long lead times involved in such major projects getting underway. Also, should a number of the contracted and permitted projects encounter further setbacks, total construction could begin to decline. Timing of the commencement of new projects is also a critical consideration. To maintain current construction levels, projects will need to be well underway soon to replace major projects recently completed including the new sanitary landfill and the new JFK high school.

The Guam Regional Medical City began clearing property for the new Hospital construction project in Dededo this January 2012. Construction is scheduled to begin in April and the construction cost alone is expected to be $150 million with project completion in April 2014. This is believed to be the largest single private sector construction project on Guam since the construction of the Leo Palace Resort in Manenggon Hills, Yona more than a decade ago.

In preparation for the military buildup associated with relocation of Marines from Okinawa to Guam, on March 11, 2010 the Navy awarded six companies each an indefinite delivery, indefinite-quantity, multiple award construction (MACC) contracts for construction, renovation and maintenance of shore-based facilities on Guam. The combined value for all six contracts is $100 million. The contract contains four options periods, which if exercised, would increase the cumulative contract value to $500 million. Request for proposals for MACC contracts for Japan funded or Mamizu projects initially due December 1, 2010, in the amount of $3 billion dollars have been delayed a number of times. According to amendment 20 to the solicitation by Naval Facilities Engineering Command Pacific, effective September 23, 2011, "the evaluation of offers is temporarily placed on hold and the government will request updated proposals within 180 days or by March 20, 2012." Following the receipt of proposals there will be an evaluation period so the MACC award seems unlikely to be issued until late FY 2012 at the earliest.

A new Defense spending blueprint presented by U.S. Defense Secretary Leon Panetta January 05, 2012 outlines how the Pentagon will adjust its strategy and budgets for the next five years to

achieve the first $260 billion in savings towards meeting the goals of the August debt ceiling. It is not yet clear how Guam will be affected by the spending reduction and shifting of resources, however, the Statement on Defense Strategic Guidance states that "we are also rebalancing our global posture and presence, emphasizing the Pacific and the Middle East."

Tax Refund/COLA Bond Disbursement

The revenue impact of the December 2011 release of approximately $198 million for prior years' tax refunds and 16.8 million dollars for cost-of living-allowance payments for Government of Guam retirees has not yet been recognized, for the most part, in the government accounting statements through December 31, 2011 since the additional business activity as the result of these disbursements would be reported on the Business Privilege Tax reports due January 20 for the month of December. Also as a result of this disbursement, a federal reimbursement for tax credits refunded is expected in February 2012 in an amount to exceed $20 million. These extra ordinary receipts should not be factored into the starting point for economic projections for FY 2013 activity. However, an additional bond authorization of $100 million for 2011 tax year refunds could be issued in late FY 2012 or FY 2013 and that could provide an additional revenue source for FY 2013. Legislation requires that the Series B part of the bond requires approval by a local deficit reduction commission which has not occurred to date.

Federal Expenditures

Federal expenditures and obligations for FY 2010 reached an all-time record high of just over $2 billion divided nearly equally between Defense and Non-Defense categories. This occurred primarily due to the combination of record level defense construction contracts related to the relocation of Marines and the construction of a new Naval Hospital, the largest single project in the FY 2010 defense construction appropriations act for Guam. Non-Defense spending was also unusually high due to economic stimulus grants. It is nearly certain that the federal funding appropriation and expenditure levels for Guam will decline, from the latest comprehensive figures for FY 2010, in both the Defense and Non-Defense categories in FY 2011, FY 2012 and FY 2013. Information from appropriation level reductions particularly for defense construction in FY 2011 and FY 2012 indicate that the magnitude of overall reductions in future federal appropriations or

expenditures on Guam will be considerable for these years. The full effect of the cuts may not be felt immediately as some of FY 2010's record high obligations may carry over and become expenditures in subsequent years. Expenditure categories such as retirement benefits and employee wages and benefits are generally subject to less variability than grant and procurement contract categories. During the latest six month period between June 30, 2011 and December 31, 2011, $89.0 million of the $236.8 million in federal economic stimulus funds awarded to the Government of Guam under the American Recovery and Reinvestment Act (ARRA) were obligated or expended. Grant funds recently obligated will initiate economic activity including construction and payments for them in the near future.

Marine Corps Relocation to Guam & Deficit Reduction

An array of projects to support U.S. military plans to prepare to move about 8,000 marines to Guam represent the major source of potential new federal expenditures on Guam. Critical issues in both the U.S. and Japan have relocation projects on hold although other defense construction projects are proceeding. Japan must determine how to proceed with a Marine Corps Air Station Futenma replacement facility over strong public objection. Concerns by U.S. Senators are causing the Department of Defense to review and revise its realignment plans for U.S. forces in the Pacific. Senator McCain commented that "The conference report directs the Secretary of Defense to pause further spending on Guam in support of the relocation of 8,500 United States Marines from Okinawa until Congress has had an ability to examine." He also indicated that "The final agreed-upon provision requires a study to offer views and suggestions from a range of regional experts on current and emerging U.S. national security interests in the Pacific and options for the alignment of realignment of U.S. military forces in the region."

The Joint Select Committee on Deficit Reduction, referred to as the Supercommittee, created by the Budget Control Act of 2011, came to the conclusion that it was not possible for them to make any bipartisan agreement on cutting the federal deficit, thus triggering the law's requirement for automatic federal budget cuts in FY 2013. The deficit reduction measures will be split between the national security and domestic arenas. President Obama stated that he will veto any attempt by Congress to cancel the automatic sequester.