



OFFICE OF PUBLIC ACCOUNTABILITY
Doris Flores Brooks, CPA, CGFM
Public Auditor

May 3, 2017

Transmitted via Electronic Mail
senator@senatorbjcruz.com

Honorable Benjamin J.F. Cruz
Speaker and Chairperson Committee on Appropriations and Adjudication
34th Guam Legislature
Guam Congress Building
163 Chalan Santo Papa
Hagatna, Guam 96910

Re: Bill No. 1 (1-S) Relative to Authorizing the Issuance of General Obligation Tax
and Revenue Anticipation Notes of the Government of Guam

Dear Speaker Cruz:

Vice Speaker Therese Terlaje requested certain information on Bill No. 73-34, which
is now Bill No. 1 (1-S). My April 25, 2017 response to her is attached and is
provided for your information.

Senseramente,

Doris Flores Brooks, CPA, CGFM
Public Auditor

Attachment: Letter to Vice Speaker Terlaje



OFFICE OF PUBLIC ACCOUNTABILITY
Doris Flores Brooks, CPA, CGFM
Public Auditor

April 25, 2017

Honorable Therese M. Terlaje
Vice Speaker and Chairperson of the Committee on Culture and Justice
34th Guam Legislature
Guam Congress Building
163 Chalan Santo Papa
Hagatna, Guam 96910

Re: Request for Cost Analysis of Current Tax Refund Costs and Costs Proposed in Bill No. 73-34 (COR)

Dear Senator Terlaje:

This is in response to your April 17, 2017 letter requesting information on the above subject matter.

1) A cost analysis of the current costs associated with tax refunds.

For the last four fiscal years, the General Fund has paid Internal Revenue Code mandated interest on tax refunds as follows:

FY 2013	\$1,096,019	
FY 2014	912,222	
FY 2015	1,021,759	
FY 2016	1,529,555	(unaudited)

While I have no information as to the costs associated with issuing the proposed anticipation notes, using past bond issuance costs as a guide, the following is provided:

	FY 2013	FY 2015	FY 2016 (unaudited)
Proceeds from Bonds	\$22,640,000	\$410,485,000	\$236,605,000
Bonds Issuance Cost	229,256	4,229,436	2,893,259
Ratio	.0101	.0103	.0122

The costs for this type of financing would include bond issuance costs and the interest on bonds and could be higher than traditional loans. Prior years' bond issuance costs have ranged slightly over 1%.

2) A monthly breakdown of the number and refunds amounts of Status A tax returns filed in 2016 and 2017.

OPA does not normally request this information. Department of Revenue and Taxation should be able to provide this information to you.

Attached is Appendix 4 from OPA Report No. 16-08 Government of Guam's Effectiveness in Addressing Individuals with Multiple Social Security Numbers that we issued in October 2016. The appendix provides a 10-year history of the significant growth of Earned Income Tax Credits as well as the growth in Tax Refunds.

3) Potential Impact of Bill No. 73-34 on operations.

11 GCA § 51102 requires the Director of Administration to deposit a portion of tax payments received into the Income Tax Refund Trust Fund.

With a cumulative deficit of \$119M as of FY 2015, cash flow management has been and will continue to be a constant juggling act. To her credit, the Director and her staff have done a good job of managing cash and paying GovGuam's bills.

Until the fundamental root cause of addressing the deficit and living within the government's means is addressed, more than likely, next year there will be another question as to how to timely pay 2017 tax refunds.

Senseramente,



Doris Flores Brooks, CPA, CGFM
Public Auditor

Attachment: Appendix 4 from OPA Report No. 16-08

Appendix 4:

EITC

YEAR	REFUND LIABILITY AS OF SEPT 30 PROVISION FOR REFUNDS	REFUNDS PAID BY FISCAL YEAR	BY CALENDAR YEAR	REFUNDS CLAIMED BY TAX YEAR	EARNED INCOME CREDIT CLAIMED BY TAX YEAR	% OF EITC TO REFUNDS CLAIMED BY TAX YEAR
2005	\$217,109,628	\$66,564,542	\$65,052,429	\$79,587,828	\$22,716,434	29%
2006	\$267,138,563	\$45,857,503	\$47,092,130	\$83,095,396	\$27,730,754	33%
2007	\$258,265,707	\$57,546,435	\$65,636,328	\$91,547,030	\$37,068,489	40%
2008	\$283,135,000	\$91,247,575	\$90,879,104	\$100,684,473	\$36,949,649	37%
2009	\$259,151,468	\$153,202,580	\$146,249,900	\$118,806,928	\$43,482,910	37%
2010	\$284,868,839	\$82,128,119	\$84,059,862	\$117,674,572	\$43,979,985	37%
2011	\$326,034,953	\$49,313,741	\$238,998,275	\$120,611,682	\$48,636,018	40%
2012	\$100,961,462	\$342,733,732	\$144,186,743	\$125,389,570	\$53,376,514	43%
2013	\$103,346,133	\$138,875,137	\$135,381,934	\$133,899,396	\$56,243,317	42%
2014	<i>*Data was not provided*</i>			\$132,659,750	\$56,823,764	43%
	TOTAL			\$1,103,956,625	\$427,007,833	
	AVERAGE			\$110,395,662	\$42,700,783	
	CHANGE			\$53,071,922	\$34,107,330	
	PERCENTAGE CHANGE			67%	150%	