

State of the Island Address

GOVERNOR
FELIX P. CAMACHO

MONDAY, FEBRUARY 19, 2007
10:00 A.M.
LEGISLATIVE SESSION HALL



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Hafa Adai ... Manana si Yu'us ... my dear people of Guam...

We have come of age... A time when the future growth and prosperity of our people demands that we all take responsibility for our actions. We can no longer accept the status quo. As we begin this season of transformation, with vision and purpose and a standard of excellence, the choices we make will have impact and duration. There is much hope and confidence for a bright future filled with unprecedented opportunity, prosperity and challenges.

Good morning Speaker Forbes, Chief Justice Carbullido, Lieutenant Governor Cruz; Delegate Bordallo; former governors; members of the Consular Corps; Senators; Attorney General Limtiaco; Public Auditor Brooks; Archbishop Apuron and members of the clergy; Justices and Judges; Mayors; members of the elected boards and commissions; members of the Military, my wife First Lady Joann Camacho, my mother Former First Lady Lourdes Camacho, distinguished guests, my fellow citizens of Guam.

Today, my dear people, I will discuss our reality and present a solution. I ask for cooperation and collaboration from all of our stakeholders to serve and move forward with purpose and resolve. Renewed, refreshed ... as I look around me today I see leaders worthy of the task before us.

This is my fifth state of the island address and today I am proud to be joined by Lieutenant Governor Mike Cruz who just last year sat in this very hall as a senator. It is also humbling as I reflect on my first term and appreciate the work we have done to get us this far. As I look upon this new 29th Legislative Body, I am honored to see two of my former Cabinet members sitting among your ranks. Senator Frank Blas, Jr. and Senator Frank Ishizaki. Lieutenant Governor Cruz and I look forward to a meaningful and progressive partnership with all of you as we lead this island over the next several years.

I would like to take a moment to personally thank our men and women from Guam serving overseas in foreign lands. They have left their families and their homes to keep America safe. We salute them and honor their commitment to our great Nation.

To the families of those heroes who have lost their lives on the battlefields of war – each and every one of you remain in our thoughts and prayers. Please know that we will never forget the sacrifices of your loved ones and they will always be remembered and honored for their courage.

Adacao Elementary. We must plan now to build even more schools for our people and our new military neighbors that will come over the next decade.

We will work with the military and seek opportunities to unite resources and our student populations. Our goal is that one day soon our children and military dependents will again be integrated into the same school system.

Today's eighth graders will graduate from high school in the middle of a multi-billion dollar construction boom requiring highly-skilled labor. The most technologically-advanced military power in the world will be integrated here on Guam. And it will need workers, not just soldiers, to be the backbone of its success -- Careers in computer technology that link Guam to our entire Global Community. There will be opportunities for everyone to be on the cutting edge of global advancement in careers that push the envelope of workforce development and foster our people's entrepreneurial spirit. All of this is within the reach of children already in our classrooms.

This is why we're already training more and more schoolchildren for the careers of their choice. The Passport to Careers program is just the start of career education for your children. Today we have a growing number of apprenticeship programs. This is the beginning of our efforts to transform not just our workforce, but how we view education. We're preparing our children from the classrooms all the way to careers that they choose.

The opportunities go far beyond the partnership we're building with the military... because incredible prospects are developing in the private sector as well. The relocation brings 15-billion-dollars in investments ... opening the doors to tremendous growth potential throughout our community. Military construction buildup is at an all time high and just this month the President of the United States proposed 345-million-dollars in military construction spending for Guam in the fiscal year 2008 budget.

On Guam, unemployment has been slashed nearly in half. Average weekly earnings have increased. The Real Estate Industry has seen record breaking transactions due to land purchases, hotel and golf course purchases and renovations and new housing subdivisions.

Today, nearly half-a-billion dollars in schools, water, power and road projects are underway. And we'll continue to increase our infrastructure capacity to meet the needs of today and anticipate the growth of tomorrow. That's why we're working aggressively to get federal support to expand the airport and seaport capacities and to improve health services for our people.

Discussions with the U-S Departments of Defense, State and Interior and members of the Japan Diet have begun. Our increased talks with leaders in the Pentagon and even from the Japan Diet showed that we have the attention of those in positions to help us. Already, Guam has been visited by some of the world's most important leaders -- the Secretary and Under Secretary of Defense, powerful members of the Japan Diet, the U-S Ambassador to Japan and the Executive Director of the Joint Guam Program Office. And in a few

employees off the General Fund into federally funded positions, cut the number of overall employees through attrition and reduced the number of government holidays.

Despite these initial steps to regain fiscal health, we then acknowledged this government's long-standing obligations. EITC debt, the COLA judgment at 123-million-dollars, tax refunds, retirement fund debt, GPA utility debt and vendor payments have ballooned the government's accumulative deficit to 511-million dollars.

And our challenges do not end there. This government faces consent decrees for the Ordot Dump closure and opening of a new landfill and permanent injunction for Mental Health and DISID that require substantial amounts of money and resources for compliance. All consequences of a government focused on short-term fixes at the expense of long-term needs.

If the Government continues to operate in this business as usual fashion the cumulative deficit could exceed 700-million in the next five years. Currently, the structural imbalance in the GovGuam General Fund, coupled with the cumulative operational deficit, has resulted in the government's limited ability to meet its core operating and capital project obligations. It also has limited our access to the capital market for funding. We cannot continue at this pace – just barely getting by. We must remove these liabilities from our operational deficit and place them where they properly belong – as long term debt.

I have proposed a borrowing plan that would refinance our outstanding obligations including tax refunds, EITC and other essential obligations into long term debt.

Under the Organic Act of Guam, the amount of debt that the Government of Guam can incur is limited to 10-percent of the aggregate tax valuation of property in the territory. Currently, the Government debt obligation is 278-point-2 million and the Justices of the Supreme Court of Guam ruled in July 2003 that the borrowing ceiling is about one-point-one billion. This means that the government can legally borrow as much as 770 million. But, let me be clear, we do not intend to borrow the maximum permitted, only that which is necessary to pay what we owe our people. However, whether this Administration can proceed with bond borrowing rests with the U.S. Supreme Court. A decision on this case is expected by June of this year and will determine how Guam's debt load must be calculated.

In the coming days, I will transmit to the Legislature my Administration's Fiscal Recovery and Deficit Elimination Plan to address the growing deficit and regain fiscal stability. The Camacho Cruz Administration has developed an approach toward fiscal recovery that includes revenue enhancements, expenditure reductions, budget management and cash infusion. In order to accomplish our plan of action, the Administration must be given the ability to manage and control the entire budget of the government. The areas under my direct control have held the line on spending but it is extremely difficult to manage the General Fund when I only control less than 50 percent of the funds.

full funding to GPSS before any other agency has caused shortfalls throughout our other critical areas as well as other branches of the Government of Guam.

It is obvious that the lack of controls and oversight has led to some questionable expenditures and a seeming disregard for the cash realities the entire government faces. Decisions by the school system clearly emphasize the need for greater accountability in the way funds are spent and allocated.

The Administration needs the authority to work side-by side with the school system to analyze their true needs and help them prioritize spending to ensure that the funds we give them make it into the classrooms and to the vendors. GPSS must focus on the business of teaching our children and return the accounting and cash management aspects of their operations back to DOA.

The daily cash challenges of this government must be addressed immediately if we are to continue with the priorities established in the budget law. The solutions are basic. We must reduce expenditure rates, increase revenues and find ways to bring additional cash into the government.

I call on you to lift local restrictions on my Organic authority to supervise the entire Executive Branch. Allow me to navigate our resources through these fiscally challenging times. And work with my Administration on ways to increase revenues so we can bridge the gap as we begin to implement my Fiscal Recovery and Deficit Elimination Plan.

Ladies and gentlemen, it will take discipline and the political will to do what we know is right. My plan restores fiscal discipline and control without jeopardizing the government services our people demand and deserve.

Today, the task before us is to chart our course in the midst of great economic and social events. We know that a wide range of economic opportunities are right at our doorstep. We know that change is coming. It is our responsibility to take the lead in determining what that change is and how it will affect our future.

We must think beyond our term as Governor, Lieutenant Governor and as Senators for what we do today and plan for tomorrow will be what our children reap and benefit from. Let's do what is right instead of what is immediate. Let us set a standard of excellence and pass it on to the next generation.

I began this new term by calling this our Season of Transformation... a time for us to reassess our current state and the future we desire... and to properly manage the change that is sure to come. Change is inevitable... but transformation – lasting, meaningful change – starts from within.

There is no security on this earth ... only opportunity. Our world offers many trials and challenges but we have the opportunity of a lifetime to improve the lives of our people.