



OFFICE OF THE GOVERNOR
HAGÁTÑA, GUAM 96910
U. S. A.

EXECUTIVE ORDER NO. 2003-04

RELATIVE TO THE ESTABLISHMENT OF A
TAX CONVERSION AND REFORM COMMISSION

WHEREAS, on January 6, 2003, this Administration took over a government in crisis with a cash shortfall of well over \$100 million; expenditures tracking over \$500 million; and a revenue potential of just \$340 million; and

WHEREAS, declining revenues reached over \$200 million over the past decade due primarily to the Asian economic crisis exacerbated by two (2) major typhoons within a year of each other; and

WHEREAS, amidst a crisis in motion, this government's spending discipline seemed oblivious to the need to balance its expenditures with expected revenues; and

WHEREAS, responding to this crisis, *I Maga'lahren Guåhan*, presented to *I Liheslaturan Guåhan* a Fiscal Recovery Plan on January 15, 2003 per Public Law 26-152 and, again, on February 10, 2003 per Public Law 27-02. The Plan, largely driven by the findings and specific recommendations of the Finance and Taxation Transition Team, included the following basic components:

1. balancing the budget by cost-cutting and revenue enhancement measures,
2. providing cash infusion, and
3. creating a Special Commission to address government reform, retirement reform, privatization, and others as may be necessary.

WHEREAS, in further responding to this crisis, *I Liheslaturan Guåhan*, in cooperation with *I Maga'lahren Guåhan*, enacted a supplemental budget in Public Law 27-05 that reduces agency funding levels for the remainder of the fiscal year and provided for various revenue enhancements through increases in gross receipts taxes, excise taxes on alcohol and tobacco, and use taxes; and

WHEREAS, *I Maga'lahren Guåhan*, through Executive Order 2003-03, implemented a 32-hour workweek effective March 2, 2003, that preserves the continuity of education, public safety, and public health services for the people of Guam; and

WHEREAS, on Thursday, March 6, 2003, the cash infusion component of the Fiscal Recovery Plan was transmitted by *I Maga'lahren Guåhan* to *I Liheslaturan Guåhan* that proposes a bond issuance in the amount of Two Hundred Million Dollars (\$200,000,000) to pay off government liabilities and to help reduce the budget deficit; and

WHEREAS, *I Maga'lahren Guåhan*, also recognizes that tantamount to sound fiscal and economic recovery is the need to conduct a comprehensive review of Guam's tax structure with a view at converting gross receipts tax with that of a sales tax; and



WHEREAS, *I Maga'lahren Guåhan*, therefore, wishes to impanel a Commission whose overall mission would be to develop and establish a strategy that will effectuate economic and tax policy to stimulate growth and provide the greatest benefit to the territory of Guam;

NOW, THEREFORE, I, FELIX P. CAMACHO, *I Maga'lahren Guåhan*, Governor of Guam, by virtue of the authority vested in me by the Organic Act of Guam, as amended, and the laws of Guam, do hereby order as follows:

1. There is hereby established a Tax Conversion and Reform Commission (the "Commission") to consist of the following members:

- a. Senator Antoinette Sanford, *I Mina' Bente Siete Na Liheslaturan Guåhan*;
- b. Artemio Ilagan, Department of Revenue & Taxation;
- c. Ron Leach, Bank of Hawaii;
- d. Paul D. Leon Guerrero, Bureau of Budget and Management Research;
- e. Dr. Roseann Jones, University of Guam;
- f. Robert J. Torres, Attorney at Law;
- g. Oscar Miyashita, Ernst & Young LLP;
- h. Simon Sanchez, Guam Dry Cleaners;
- i. Carl Peterson, Money Resources Inc.;
- j. Dave Tydingco, Guam Visitors Bureau;
- k. Arthur Clark, Attorney at Law;
- l. Ricardo C. Duenas, ST Corporation;
- m. Lou Perez, Department of Administration;
- n. Bertha Duenas, Office of the Governor; and
- o. Gerald Perez, Guam Economic Development Authority

2. The Chairperson of the Commission shall be Mr. Ron Leach and the Vice-Chairperson of the Commission shall be Mr. Artemio Ilagan.

3. The Commission shall meet at times designated by the Chairperson, and shall be responsible for accomplishing the following:

- a. To examine the necessity and desirability of converting the current gross receipts tax mandated under Guam law into a sales tax, and the impact of such conversion on Guam's economy;
- b. To examine the current overall taxation structure of the island, its impact on the economy and other areas, and to assess whether reforms in that structure are necessary to restore stability to the island's economic situation and to foster long-term economic growth;



- c. To examine the potential effects of any change in the tax policy and structure of the island on the ability of the government to issue bonds or other indebtedness;
- d. To examine and compare the capacity of the island's community to absorb the effects of changes in the tax structure;
- e. To propose and formulate economic models that can be used to analyze and provide policy direction relative to changes in the tax structure;
- f. To determine the best taxation structure and policy that will provide for economic stability and growth and result in the greatest benefit to all sectors of the island's community; and
- g. To gather and assemble all data necessary to perform the foregoing tasks.

4. All departments, agencies, offices, divisions, public corporations, and instrumentalities of the Executive Branch shall provide the Commission with information or documents necessary to accomplish the tasks and responsibilities mandated by this Executive Order.

5. Other branches and entities of the government and other segments of the community, including members of the business community and private sector, are requested to provide full cooperation to the Commission as they collect information or request for other forms of assistance needed to accomplish the tasks and responsibilities mandated by this Executive Order.

SIGNED AND PROMULGATED at Hagåtña, Guam this 14 day of March, 2003.

FELIX P. CAMACHO
I Maga'lahaen Guåhan
Governor of Guam

COUNTERSIGNED:

KALEO S. MOYLAN
I Segundu Maga'lahaen Guåhan
Lieutenant Governor of Guam

