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To: All Executive and Autonomous Department and Agency Heads
From: Deputy Director, Bureau of Budget and Management Research (BBMR)
Subject: Revised FY2019 General Fund Levels – Option #3

Hafa Adai! Due to the Tax Cuts and Jobs Act of 2017 (TCJA), the impact on the Government of Guam's General Fund revenues specifically with the reduction in Corporate Taxes, Withholding Taxes and Individual Income Taxes as provided by *I Liheslaturan Guåhan's*, Office of Finance and Budget during the Special Economic Service meeting held on June 22, 2018, is estimated to be approximately \$153.1M less for FY 2019 as compared to the Total FY2018 General Fund Revenue Available for Appropriation as per Public Law 34-42.

I Maga'lahren Guåhan had provided in his FY 2019 Executive Budget Request, proposed General Fund appropriation levels noted as Option #1 and Option #2. Option #1 reflected proposed levels should there be revenue enhancements and Option #2 should there be no revenue enhancements to address the expected revenue shortfall caused by the TCJA.

With the passage of Bill 262-34 by *I Liheslaturan Guåhan* which repeals the 2% sales tax established per Public Law 34-87 that would have provided the needed revenues to partially address the expected FY 2019 budget shortfall, the Government of Guam must resort to the proposed Option #3 levels as reflected below. Whereas, the Option #2 levels reduced the General Fund Revenue Available for Appropriation for FY 2019 by \$62.2M, ***an additional \$90.9M of proposed General Fund appropriation reductions must be made to balance with the aforementioned \$153.1M General Fund revenue shortfall for FY 2019.***

Your immediate attention in identifying areas of cost cutting within your respective department/agency is requested. The following breakdown provides a summary of the impact of Option #3 to the proposed General Fund level of appropriations to each department/agency (excludes debt service and miscellaneous appropriations):

Department	FY2019 GF Recommend Levels - Option #2	Required Reduction	FY2019 Revised GF Recommended Levels - Option #3
1. University of Guam	\$30,718,427	(\$5,810,933)	\$24,907,494
2. Guam Community College	\$17,295,577	(\$3,271,763)	\$14,023,814
3. Guam Memorial Hospital	\$2,500,861	(\$359,581)	\$2,141,280
4. Department of Education	\$197,818,301	(\$37,161,655)	\$160,656,646
5. Executive Branch Operations	\$176,069,478	(\$33,272,703)	\$142,796,775
6. Reserved for Legislature, OPA, MCOG, Judiciary, PDSC, and OAG	\$58,194,189	(\$10,991,483)	\$47,202,706
Total 1/	\$482,596,833	(\$90,868,118)	\$391,728,715

1/ Excludes Miscellaneous GF appropriations to DOA & GGRF and Debt Service

The above are based on pro rata reductions made to the estimated Option #2 proposed General Fund appropriation levels for FY 2019. Be reminded that all options will be considered in addressing the revenue shortfall including those departments/agencies that are funded by Special Funds.

Please have your designated department/agency POC contact your assigned BBMR Budget Analyst for further details.

Your urgent attention to this matter is greatly appreciated, thank you.