

Puerto Rico debt crisis is lesson for Guam, officials say

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(Photo: Masako Watanabe, Pacific (Guam) Daily News)

HAGÁTÑA, Guam — The government of this U.S. territory should look at Puerto Rico's debt crisis as a lesson on [borrowing too much](#), two of Guam's elected officials said.

The Caribbean commonwealth of Puerto Rico stands on the brink of bankruptcy after running up more than \$72 billion in debt — \$20,366 for every man, woman and child who lived on the island as of Sept. 30, 2014, according to the [Mercatus Center](#) at George Mason University in Fairfax, Va., which studied the fiscal health of each state and Puerto Rico.

U.S. states' average is \$2,144.

The state that ranked 50 with the most long-term debt per capita, Connecticut at \$5,807, is also the state with the highest per capita personal income, which means its residents can better tolerate tax increases. For 2010, the most recent year for which Connecticut and Guam numbers were available, per capita personal income was \$57,347 vs. \$12,864.

In looking at all of the United States' inhabited territories, Guam is No. 2 in debt per capita for the 2014 fiscal year, according to reports from the [Pacific and Virgin Islands Training Initiatives](#), based in Honolulu. That \$1.4 billion in long-term debt translates to \$9,051 per capita, a number that has more than doubled in the seven years from 2007 to 2014.

With about 165,000 inhabitants, Guam has far fewer residents than Puerto Rico, where about 3.5 million live. Per-person numbers can show how smaller Guam is heading into risky territory.

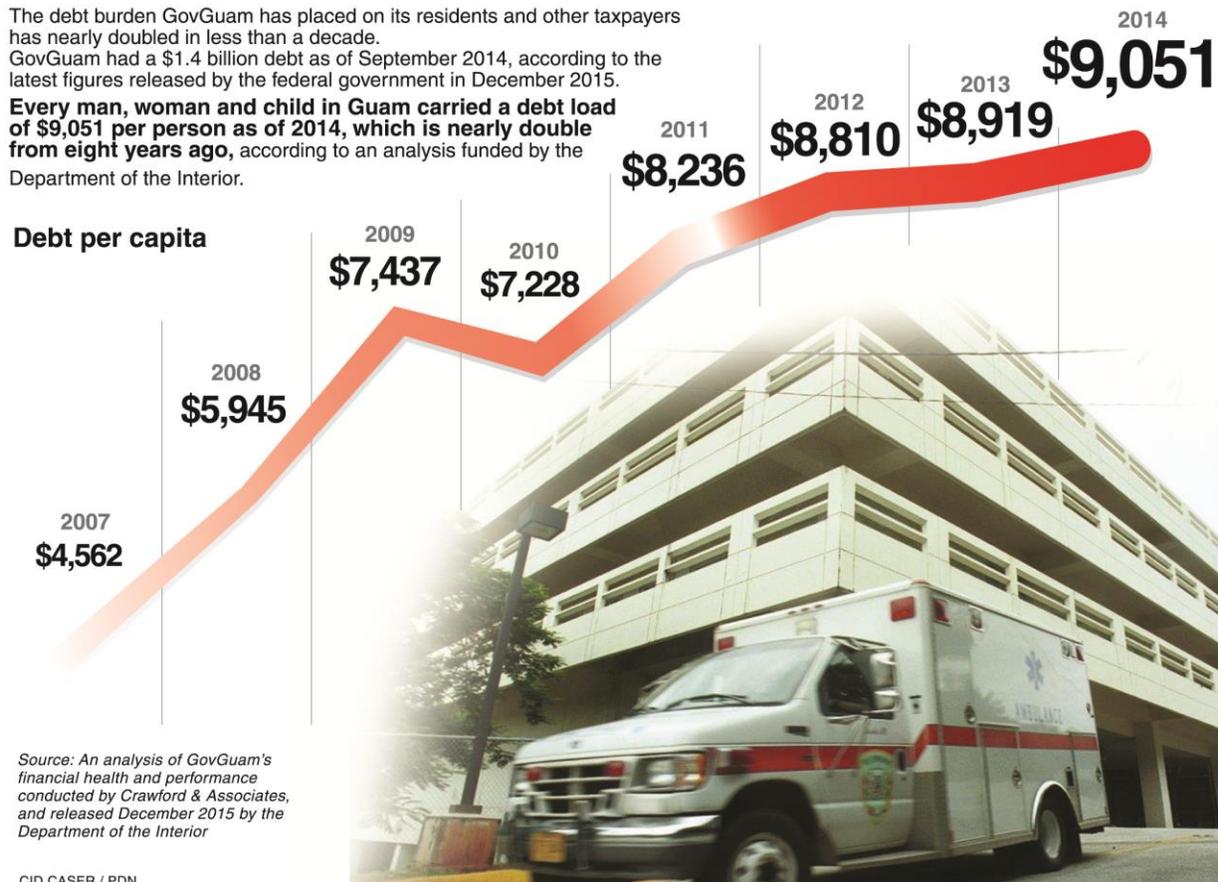
"Enough already, ... no more borrowing," Vice Speaker Benjamin Cruz, a Democrat from Tumon in the Guam Legislature, said last week.

Guam's per capita debt doubles

The debt burden GovGuam has placed on its residents and other taxpayers has nearly doubled in less than a decade.

GovGuam had a \$1.4 billion debt as of September 2014, according to the latest figures released by the federal government in December 2015.

Every man, woman and child in Guam carried a debt load of \$9,051 per person as of 2014, which is nearly double from eight years ago, according to an analysis funded by the Department of the Interior.



Cruz, who heads the budget and finance committee, said he would oppose additional territorial debt with the exception of bonds to finance tangible capital-improvement projects that will result in economic benefits for the Pacific island. The newly opened Guam Museum, which uses hotel occupancy taxes to repay debt, is an example of borrowing that he considers acceptable.

Guam needs a balanced budget and a rainy-day fund, Public Auditor Doris Flores Brooks said. And some school construction, power authority and water works debt doesn't officially count toward the \$1.1 billion debt ceiling, which was raised three times between 2007 and 2012. The territory is less than \$50 million from reaching its new debt limit, a recent government analysis shows.

Because of Guam's increased indebtedness, the government's annual debt payments have more than doubled in the past eight years from \$41 million in 2008 to \$111 million this fiscal year, according to the public auditor's office.

Gov. Eddie Calvo, Guam's Republican governor since 2011, has proposed a \$425 million bond borrowing and refinancing of existing debt with the goal of transforming Guam Memorial Hospital in Tamuning into a medical center of excellence, in part by rebuilding an entire hospital wing. His proposal includes raising taxes.

Sen. Dennis Rodriguez Jr., a Democrat from Tamuning and chairman of the legislative health committee, wants to borrow \$30 million in new debt to subsidize the hospital, which has been losing money for decades in part because it is not adequately reimbursed for indigent care.

The Democratic chairman of the legislature's finance, taxation and government operations committee, Sen. Mike San Nicholas of Dededo, said he will block both proposals because of their long-term costs. But he could be overridden.

Puerto Rico's debt crisis could make Guam's future borrowing more expensive if investors' jitters over the Caribbean island's finances result in higher interest rates for Guam's bonds, Cruz said.

Two years ago as Puerto Rico's debt problems were simmering, a municipal bond market expert, Matt Fabian of Municipal Market Advisors, suggested that investors should consider selling their Guam and U.S. Virgin Islands bonds, [Barron's](#) reported. The U.S. Virgin Islands ranks No. 3 of territories' per capita indebtedness with \$8,632 of debt per person.

Fabian made the suggestion to sell Guam and Virgin Islands bonds before the market realizes the potential risks of repayment.