Mike O'Rielly Commissioner

FEDERAL COMMUNICATIONS COMMISSION WASHINGTON DC

July 6, 2018

Mikel W. Schwab Civil Chief, Assistant United States Attorney U.S. Department of Justice Districts of Guam & the NMI Sirena Plaza 108 Hernan Cortez Hagatna, Guam 96910

Dear AUSA Schwab:

I am writing in the hopes that you may be able to investigate the diversion of 9-1-1 funds in the territory of Guam. I have received conflicting reports from representatives in Guam about the scope, legality, and impact of this diversion and I am seeking a clearer understanding of the precise situation.

Congress charged the Federal Communications Commission (the FCC or Commission) with examining whether states and territories are using 9-1-1 fees collected from consumers solely for their intended purposes. Each year, the FCC submits a report to Congress based on self-reported data from each state and territory. Unfortunately, in our 2017 Report to Congress the Commission was unable to report on the conditions in Guam, as leadership of the territory failed to respond to Commission inquiries.

In February, I requested that Guam explain why it failed to respond to our request for information, take steps to rectify this failure, and submit to the Commission whether Guam diverted 9-1-1 fees to other functions. After press reports indicated that such diversion did in fact occur, I followed up with the territory in June. On June 22, I received a response from Guam's Acting Fire Chief explaining that (1) Guam's failure to report to the Commission was due to internal personnel assignments; (2) Guam's Fire Department would be responsible for responding to the Commission in the future; and (3) as press reports indicated, Guam diverted \$448,799 in 2016.

I also received a follow-up letter from Governor Calvo, explaining that in September 2017 the Guam Legislature enacted a bill that authorized the diversion of 9-1-1 funds in Guam (Guam Public Law 34-42:XIII(22)). Subsequently, I received a separate response from Senator BJ Cruz, Speaker of the 34th Guam Legislature, who explained that this law did not permit diversion of 9-1-1 funds in 2016 because the law "is only applicable for FY 2018 and is not applied retroactively." To this, Governor Calvo sent another letter, asserting that "Guam is in compliance with the federal policy to provide a robust and responsive E911 and emergency system."

I am including all four letters with this correspondence. It is my hope that you can help provide some clarity to this critical issue and provide insight on whether or not Guam appropriately allocated 9-1-1 funds in 2016, consistent with federal and local laws. According to Governor Calvo, Guam's enacting law created a special fund for 9-1-1 fees, which "are to be used for costs associated with the E911 reporting system and are not subject to transfer or spending without prior appropriation." It therefore appears,

subject to additional legislation or appropriation, that diversion of 9-1-1 funds would be inappropriate. It would be most helpful if you could confirm your interpretation of Guam's current law.

Of course, regardless of whether Guam *can* divert 9-1-1 funds, there is no question as to whether it *should* divert such funds. The people of Guam rely on this emergency service in their most desperate hours, and deserve the full potential of E911 that can only be provided through sufficient funding. Unfortunately, what is not in question through these responses, is that Guam diverted almost \$450,000 in 2016 and, according to press reports, more than \$800,000 in 2017.

I thank you in advance for your assistance in this matter. As I have stated time and again, 9-1-1 fee diversion is not a political issue, it is a public safety issue. I am not interested in engaging in local politics in Guam or anywhere else. What I am interested in is ending the disgraceful practice of 9-1-1 fee diversion throughout the country.

Sincerely,

Michael O'Rielly

Enclosures



EDDIE BAZA CALVO
Governor

RAY TENORIO
Lieutenant Governor

June 21, 2018

Mike O'Rielly Commissioner Federal Communications Commission 445 12th Street SW Washington, DC 205554

Håfa Adai Mr. O'Rielly,

This letter is in response to your letter received by my office dated June 20.

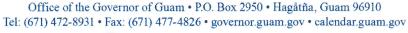
First and foremost, please accept my apologies for this untimely response. It is not a standard practice of this administration to ignore our federal partners and we are rectifying issues locally to ensure this does not happen again.

Below you will see information with regards to your letter and please rest assured that a more detailed response is forthcoming from the Guam Fire Department (GFD).

The purpose of the Wireless Communications and Public Safety Act of 1999 is absolutely being met. We are aware that nationwide there is a push for next generation of E911 system and Guam is currently in the midst of the local procurement process.

With respect to the questioned collection, transfer, and expenditure of E911 fees, federal law [48 U.S.C. § 615a-1(f)] grants to states and territories the authority to impose and collect the E911 fee, provided that the fee is expended in support of 911 and E911 services "as specified in the provision of State or local law adopting the fee or charge." In accordance with this federal authority, Guam enacted a law [12 G.C.A. § 12304] that created a special fund for the deposit of any fees collected. The fees deposited into the special fund are to be used for costs associated with the E911 reporting system and are not subject to transfer or spending without prior appropriation.

Subsequently last year on September 16, 2017, the Guam Legislature enacted a budget bill which authorized the appropriation of monies contained in special funds even though the appropriation was not related to the purposes of the fund: "Notwithstanding any provision of law, all appropriations from special funds contained in this act, which are not in conformance with the statutory uses of said funds, shall be authorized for use in FY2018." [Guam Public Law 34-42:XIII(22)].











MIKE O'RIELLY Page 2 of 2 June 22, 18

By enacting this provision of law, it was the intent of the Guam Legislature to permit for the release of funds determined to be unspent or excess (i.e. "lapsed funds") so that those monies could be used for other appropriations prior to impending end of FY2018 on September 30, 2018.

In the case of the E911 special fund, the monies that were not transferred to the GFD represented unspent funds that had either lapsed or were otherwise unappropriated. Because the federal law at 48 U.S.C. § 615a-1(f) states that fees collected shall be used "as specified" in the local law adopting the fee, and because in turn, Guam Public Law 34-42:XIII(2) explicitly authorized the appropriation of special funds such as the one the E911 fees were deposited into notwithstanding that the appropriation is "not in conformance with the statutory uses of said funds," Guam respectfully submits that the transfer of fees was made within the parameters of both federal and local Guam law.

Moreover, there is no evidence that the transfer of fees has caused any disruption of emergency response services. On the contrary, support for emergency response has improved over the years.

Indeed, since the start of my administration in 2011, emergency response has been prioritized, and the Guam Fire Department has thrived:

- We increased the number of working ambulances from 1 or 2 working ambulances to 13.
- We increased the amount of fire trucks from 5 to 13; ensuring that each fire station has a fire truck, which has not been the case for many years.
- The Guam Fire Department is rightsizing after years without promotions and new recruits to backfill natural attrition that left the department with vacancies in critical leadership positions.
- Salaries for firefighters are more competitive today than 7 years ago which helps with recruitment and retention.

It is a verifiable fact that Guam's emergency support and response has vastly improved in the last 7 years. This administration has, and will continue to, ensure that E911 and emergency responders continue to serve the people of Guam as they deserve.

Senseramente,

Governor of Guam











GUAM FIRE DEPARTMENT DIPATTAMENTON GUAFI GUAHAN

Professionalism * Respect * Integrity * Dedication * Empathy



Joey C. San Nicolas Deputy Fire Chief

Eddie Baza Calvo Governor

Ray Tenorio Lt. Governor

June 22, 2018

Mike O'Rielly Commissioner Federal Communications Commission 445 12th Street SW Washington, DC 205554

Håfa Adai Mr. O'Rielly,

Governor Eddie Calvo has delegated the responses to both of your inquiries dated April 1, 2017 and February 20, 2018 to the Guam Fire Department regarding the Annual Information Collection as Mandated by the New and Emerging Technologies Improvement Act of 2008. Kindly see responses below:

- 1. Why did your state or territory fail to respond to the Commission's request for information regarding the collection and allocation of 911 fees for 2016?
 - Internal personnel assignments within the office are responsible for this failure, subsequently the original letters were not routed for response.
- 2. What steps has your state or territory taken, if any, to rectify the failure to file and provide the FCC the information requested?
 - Moving forward, the Guam Fire Department has been delegated by the Office of the Governor to directly communicate with the FCC on this matter.
- 3. Using the Commission's standards and definition, does your state or territory divert 9-1-1 fees to other functions? If so, how much was diverted in 2016, and for what functions?

The amount of \$488,779 was permanently transferred from the Enhanced 911 Emergency Reporting System Fund (E911 ERSF) to the Government of Guam's General Fund based on Guam Public Law 34-42:XIII (22).

We wish to assure you that the permanent transfer of E911 ERSF to the General Fund, in no way impeded, interrupted or jeopardized the ability of Guam's E911 Center to

provide the best possible service to the citizens of our island as they rightfully deserve and our government is mandated to provide. We are also in the midst of the local procurement process to update the existing E911 system.

Again, we apologize for not submitting the 2016 Report as requested and assure you that all future reports requested, will be submitted in a timely manner.

Joey C San Nicolas, Cl Hire Chief, Acting



June 22, 2018

Transmitted via Hand Delivery and Electronic Mail mike.o'rielly@fcc.gov

Mr. Michael O'Rielly Commissioner Federal Communications Commission 445 12th Street, SW Washington, DC 20554

Re: A Necessary Clarification

Dear Mr. O'Rielly:

I write to you in the hope of clarifying certain misstatements conveyed to you in a June 21st letter from Eddie Baza Calvo, the Governor of Guam. As a retired Chief Justice of the Supreme Court of Guam, the sitting Speaker of the 34th Guam Legislature, and the present Chairman of its Committee on Appropriations and Adjudication—I can say that Governor Calvo's statements are false on their face.

First, I made clear that transfers from the Enhanced 911 Emergency Reporting System Fund (E911 Fund) Fund to the General Fund are a violation of Guam law. On October 25, 2017, I wrote to then-Director of Administration Christine W. Baleto **insisting that these transfers stop**, as they are expressly prohibited pursuant to § 12304(f), Chapter 12, Title 12 of the Guam Code Annotated (a copy of my letter is appended to this correspondence in addition to Director Baleto's response).

I noted that between Fiscal Years 2014 through 2016, the sum of \$3,041,143 was permanently transferred out of the E911 Fund into the General Fund. The Administration later authorized additional permanent transfers out of \$839,583 from the E911 Fund in Fiscal Year 2017—again for purposes not in accordance with Guam law.

Secondly, Governor Calvo's response seems to represent that Section 22, Chapter XIII of Guam Public Law 34-42 provides language that authorizes the use of Special Revenue Funds for purposes outside the scope of the stated statutory purposes of these funds. **This is wrong.**

Governor Calvo states:

"By enacting this provision of law, it was the intent of the Guam Legislature to permit for the release of funds determined to be unspent or excess (i.e. "lapsed funds") so that those monies could be used for other appropriations prior to impending end of FY2018 on September 30, 2018."

However, the same chapter of the same public law referenced by Governor Calvo also includes Section 13 which states that the Guam Fire Department [and other specified agencies] are authorized to expend all revenues collected by their designated Special Funds for 'the purpose authorized by statute.'

This specifically included E911 Funds for Fiscal Year 2018, and unexpended carryovers authorized by law. This fact alone negates the Governor's assertion that excess or lapsed funds were authorized to be expended, notwithstanding the expressed uses authorized in the establishment and enactment of the E911 Fund itself. Assuming arguendo that the Governor's logically-addled reading is plausible—it is a settled principle of law that the more specific provision governs the more general one:

"As always, '[w]here there is no clear intention otherwise, a specific statute will not be controlled or nullified by a general one, regardless of the priority of enactment." [Crawford Fitting Co. v. J. T. Gibbons, Inc., 482 U.S. 437 (1987)].

Third, I note that the Governor's argument fails, in a more obvious way, because the specific section of the law Governor Calvo cites is only applicable for FY 2018 and is not applied retroactively.

As such, even if the Governor's convenient "Never-Never Land" reading of the law applied, the permanent transfer of approximately \$3.8 million between Fiscal Years 2014 and 2017 would not be subject to a section of law that is effective **only** in 2018.

Additionally, the permanent transfers from the E911 Fund were also confirmed by the Guam Fire Department on Friday, June 15, 2018 during the department's FY 2019 budget hearing. During this hearing, the GFD's leadership were asked if transfers out of the E911 Fund to the General Fund were permitted by federal law. Their response follows:

"This was instructed to us. (DOA) convinced us this was part of their accounting principles...And I believe it was the public auditor who came out and stated it's a situation where funds needed to be used or a larger negative impact could have happened. I did not agree with it."

The week prior, when confronted with the illegality of DOA's actions regarding Special Fund transfers, the agency's financial manager Kathy Kakigi, replied:

"The bottom line is, 'Which law do you want me to break?" Do you want (me) to break the federal law with payroll, or do you want (me) to break these special revenues?"

How then can the Calvo Administration admit to a violation of local law, regarding special fund transfers, before the Guam Legislature, and then represent that neither federal or local law was violated to the FCC?

Based on the facts before me, and presently on the public record, transfers from the E911 Fund were executed in contravention of Guam law and applicable federal provisions.

<u>Si Yu'os Ma'ase.</u>

Benjamin A

CC:

The Honorable Eddie B. Calvo, Governor of Guam



October 25, 2017

Transmitted via Electronic Mail christine.baleto@doa.guam.gov

Ms. Christine W.P. Baleto Director Department of Administration Suite 224, ITC Building 590 South Marine Corps Drive Tamuning, Guam 96913

Re: Halt Special Revenue Fund Permanent Transfers to the General Fund

Dear Director Baleto:

As the Fiscal Year 2017 closing process is conducted by the Department of Administration (DOA), I want to call attention to the permanent transfers from certain Special Revenue Funds to the General Fund that have occurred over the past several fiscal years, and call for such transfers, if planned, to cease immediately.

Recycling Revolving Fund

The Recycling Revolving Fund (RRF) has experienced consistent collections over the past several fiscal years—averaging over \$2.7 million per year between Fiscal Years 2012–2016, with Fiscal Year 2017 unaudited RRF revenues at \$2.8 million. Within that same time frame, the DOA has permanently transferred approximately \$10,175,718 out of the RRF to the General Fund, thereby artificially increasing the General Fund balance.

Such permanent transfers out of the RRF to the General Fund take away from the government's ability to fulfill the intent of the RRF and is, furthermore, in violation of § 51302, Chapter 51, Title 10 of the Guam Code Annotated. Such section states that "the funds deposited into the Recycling Revolving Fund shall not be subject to the transfer authority of *I Maga'låhen Guåhan*."

Enhanced 911 Emergency Reporting System Fund

The Enhanced 911 Emergency Reporting System Fund (E911 Fund) provides a source of funding for costs associated with Enhanced 911 Emergency Reporting System and equipment and system costs as necessary. Between Fiscal Years 2014–2016, the DOA has permanently transferred approximately \$3,041,134 out of the E911 Fund to the General Fund, thereby artificially increasing the General Fund balance.

Address: Guam Congress Building 163 Chalan Santo Papa, Hagatña, Guam 96910 Phone: 671-477-2320/ Email: Senator@SenatorBjCruz.com/ Website: SenatorBjCruz.com



Such transfers are exempted in § 12304(f), Chapter 12, Title 12 of the Guam Code Annotated, which states, "Notwithstanding any other provision of law, no monies in the Fund shall be expended for purposes other than provided for in this Section, without the expressed approval of *I Liheslatura*. The Fund is *exempt* from any transfer authority."

Fire, Life and Medical Emergency Fund

The Fire, Life and Medical Emergency Fund (FLAME Fund) provides funding for the purchase, critical maintenance, and repair of essential emergency rescue and firefighting vehicles; emergency life support and medical equipment; and training for Emergency Medical Technician and Paramedic certifications. Between Fiscal Years 2014–2016, the DOA has permanently transferred approximately \$1,317,838 out of the FLAME Fund to the General Fund, thereby artificially increasing the General Fund balance.

Such transfers are prohibited pursuant to § 72016(c), Chapter 72, Title 10 of the Guam Code Annotated, which states, "No Transfer Authority by *I Maga'låhen Guåhan*. *I Maga'låhen Guåhan may not* use his transfer authority to utilize any monies deposited in the Fund."

Prior Transfers from Special Funds and Accounts

As you are aware, transfers from the Child Support Enforcement Account were being performed by the DOA until such time I had called attention to it. Additionally, I introduced what is now Public Law 34-04, in order to protect the Guam Cancer Trust Fund from any unauthorized or prohibited withdrawal and use.

Furthermore, Supreme Court Case No. CRQ14-001, <u>In Re Request of I Mina'trentai Dos na Liheslaturan Guåhan</u>, relative to the use of funds from the Tax Refund Efficient Payment Trust Fund, found that transfers, withdrawals, or expenditure of funds from the Income Tax Refund Efficient Payment Trust Fund (Refund Trust Fund) were prohibited. This was ruled upon subsequent to Governor Calvo's withdrawal of nearly <u>\$50 million</u> from the Refund Trust Fund. The Supreme Court upheld that the Refund Trust Fund law did "not permit the Governor to withdraw monies from the Trust Fund for purposes other than those prescribed..."

Since that landmark Declaratory Judgment against the Calvo Administration, the DOA has complied with the specific provision of law in question. Yet, despite the presence of similar transfer prohibitions cited in the above-referenced Special Revenue Fund statutes, the DOA has transferred funds out of these accounts in clear contravention to these expressed prohibitions.



Moving forward, I urge the Department of Administration to cease transfers from Special Revenue Funds to the General Fund—especially where clear statutory prohibitions against such transfers exist.

Additionally, pursuant to the authority granted by the *Sunshine Reform Act of 1999* (§ 10103, 5 GUAM CODE ANN.), I hereby request for the Department of Administration to provide:

1. Any and all written and/or electronic correspondence or documentation (including attachments) within the Department of Administration, authorizing the transfer of funds out of the Recycling Revolving Fund, the Enhanced 911 Emergency Reporting System Fund, and/or the Fire, Life and Medical Emergency Fund between October 1, 2012 to the date of this letter.

Under § 10103(d) of 5 GCA, you shall comply within four (4) working days from the date or receipt of this request, pursuant to law. These items may be submitted electronically to senator@senatorbjcruz.com or delivered to my office. Please call my office at 477-2520/1 should you require assistance or additional information.

Thank you for your attention to this important matter, and I look forward to your prompt response.

Si Yu'os ma'åse',



DEPARTMENT OF ADMINISTRATION (DIPATTAMENTON ATMENESTRASION)

DIRECTOR'S OFFICE

(Ufisinan Direktot) 590 South Marine Corps Drive

Suite 224, GITC Building, Tamuning, Guam 96913 Post Office Box 884 * Hagatña, Guam 96932 TEL: (671) 475-1101/1221/1250 * FAX: (671) 477-6788 Christine W. P. Baleto Director Vincent P. Arriola **Deputy Director**

D 13 AM JAN FILE NO 34-1204

Speaker Benjamin J.F. Cruz

The Honorable Benjamin J.F. Cruz, Speaker Chairman, Committee on Appropriations and Adjudication I Mina' Trentai Kuåttro Na Liheslaturan Guåhan Suite 107, 155 Hesler Place. Hagatňa, Guam 96910

RE:

Freedom of Information Act Request - Halt Special Revenue Fund Permanent Transfers to the General Fund

Buenas yan Håfa Adai Speaker Cruz,

In response to your Freedom of Information Act Request (FOIA) received October 25, 2017 regarding the above referenced information, please find attached copies of documentation within the Department of Administration.

Please note that that permanent transfer of funds at the end of a fiscal year is the result of compliance with Government Accounting Standards Board (GASB) Statement No. 34, 112. a. (1) which states: If repayment is not expected within a reasonable time, the interfund balances should be reduced and the amount that is expected to be repaid should be reported as a transfer from the fund that made the loan to the fund that received the loan" (GASB 34 copy attached). In essence, the General Fund has not been able to actually pay or transfer these special revenue funds to the respective fund account due to the perpetual cash shortage that has been experienced for decades. Permanent transfers have been a regular part of the Government of Guam's compliance with Generally Accepted Accounting Principles (GAAP) since 2002. A copy of page 42 of the 2002 audit report is attached for your reference. Further, the notes to the financial statements for Fiscal Year 2002 and FY2003 which identify interfund transfer that are not expected to be paid is listed. As noted above in the GASB 34 standard, if repayment is not expected within a reasonable time, the receivable for the fund should be reduced. This was first done in Fiscal Year 2006 in which \$17 million dollars of receivables in other governmental funds was reduced due to it not being expected to be repaid out of General Fund. In Fiscal year 2009, this was also done to comply with GASB 34 standards. This was a source of great contention between the Legislative and Administrative Branch which was addressed by the late Speaker Ben Pangelinan during session. During this session, he read verbatim the requirements of GASB 34 and explained to the Legislative body why this requirement was necessary to comply with. We are still trying to locate documentation which transcribes the actual statement made. We hope that you will recollect this as you were part of the Legislative Body at the time.

5 G.C.A., Article 2, § 22204. Rules & Regulations, requires that the Director of the Department of Administration provide that the principles of governmental accounting and reporting; classification of funds and accounts; and accounting terminology shall conform to those recommended by the National Committee on Governmental Accounting. For government entities, the Government Accounting Standards Board is the authority for Government Accounting Standards. In addition, 5 G.C.A., Article VI, § 6.06, requires that financial statements be prepared in accordance with Generally Accepted Accounting Principles (GAPP). Further, in § 11.11, requires that accounting records shall be maintained in accordance with GAPP.

When preparing the financial statements for the Government of Guam's annual audit, we would be in non-compliance with GASB 34 if we failed to record permanent transfers. All unexpended/unappropriated amounts that are not expected to be collected within a reasonable time become subject to permanent transfer. If we did not do so, our financial statements would not be in compliance with GAPP or GASB. This would result in a modified opinion which would place the Government of Guam in Jeopardy. Our Credit Rating, Investors, Bond Holders, Federal partners and all stakeholders who rely on financial statements to be prepared in accordance with these requirements would be very concerned with our failure to do so.

The only other course of action would be to require the transfer out of the General Fund. As reported during several hearings and via correspondence, we have been leanly managing the government's annual receipts and disbursements. Such a transfer would cause payless paydays, bond payments to be compromised, allotments to be further hampered; and could potentially cause the shutdown of Government of Guam services.

We sincerely hope that our Government will one day be in a cash situation that would not necessitate these transfers. However, it is unlikely that this will be possible in closing Fiscal year 2017.

Should you have any questions, or wish to discuss the matter further, please feel free to contact me at 475-1250.

Senseramente.

Christine W. Baleto Director, DOA



EDDIE BAZA CALVO
Governor

RAY TENORIO
Lieutenant Governor

June 22, 2018

Michael O'Rielly Commissioner Federal Communications Commission 445 12th Street SW Washington, DC 205554

Håfa Adai Mr. O'Rielly,

This letter is in response to correspondence dated June 22, 2018 from Senator BJ Cruz, Speaker of the 34th Guam Legislature and long-time Democrat senator whom earlier this week declared his candidacy for Public Auditor.

I suspect that the Senator is using this federal reporting issue and interjecting local law into this discussion as a political ploy. I am disturbed by his actions and I apologize for any confusion his letter may have caused. It is important to note that he has voted and introduced local policy appropriating monies from a variety of special funds.

My letter dated June 21 was crafted by my Chief Legal Officer and cites the authority vested to me.

As stated in my letter, Guam is in compliance with the federal policy to provide a robust and responsive E911 and emergency system to our community of 160,000 citizens. Additionally, the system has been tested by real-world situations, including natural disasters, bomb threats, active shooter threats, calls for help from the community, and calls related to North Korea missile threats to Guam. It is a functional and reliable emergency response system.

All the Senator has done is comment on **his interpretation** of local law and muddied the waters of this discussion.

Senseramente,

Eddie Baza Calvo Governor of Guam

Office of the Governor of Guam • P.O. Box 2950 • Hagåtña, Guam 96910 Tel: (671) 472-8931 • Fax: (671) 477-4826 • governor.guam.gov • calendar.guam.gov







