

I Mina'trentai Singko Na Liheslaturan Guåhan
BILL STATUS

BILL NO.	SPONSOR	TITLE	DATE INTRODUCED	DATE REFERRED	CMTE REFERRED	PUBLIC HEARING DATE	DATE COMMITTEE REPORT FILED	FISCAL NOTES	NOTES
142-35 (COR)	William M. Castro	AN ACT TO IMPLEMENT A RESPONSIBLE, MODERATE, INCREMENTAL RAISING OF THE MINIMUM WAGE AND TO ROLLBACK THE BUSINESS PRIVILEGE TAX FROM FIVE PERCENT (5%) TO FOUR PERCENT (4%), BY REPEALING SECTION 2 OF PUBLIC LAW 34-116 AND AMEND § 26202, (a), (c), (d), (e), (f), (g), (h), (i), (j), (j) (1), AND (j) (2), ARTICLE 2, CHAPTER 26, TITLE 11 OF THE GUAM CODE ANNOTATED RELATIVE TO ROLLING BACK THE BUSINESS PRIVILEGE TAX FROM FIVE PERCENT (5%) TO FOUR PERCENT (4%) AND TO AMEND § 3105 OF ARTICLE 1, CHAPTER 3, TITLE 22 OF THE GUAM CODE ANNOTATED, RELATIVE TO A RESPONSIBLE, MODERATE, INCREMENTAL RAISING OF THE MINIMUM WAGE.	5/24/19 10:06 a.m.					Fiscal Note: 6/5/19	

Senator Amanda L. Shelton,
Vice Chairperson

Speaker Tina Rose Muña Barnes,
Member

Vice Speaker Telen Cruz Nelson,
Member

Senator Kelly Marsh (Taitano), Ph.D.,
Member

Senator Sabina Flores Perez
Member

Senator Clynton E. Ridgell
Member



COMMITTEE ON RULES
SENATOR RÉGINE BISCOE LEE, CHAIR
I MINA 'TRENTAI SINGKO NA LIHESLATURAN GUÅHAN
35TH GUAM LEGISLATURE

June 5, 2019

Senator Joe S. San Agustin,
Member

Senator Jose "Pedo" Terlaje,
Member

Senator Therese M. Terlaje,
Member

Senator James C. Moylan,
Member

Senator Mary Camacho Torres,
Member and
Chair, Subcommittee on Protocol

MEMO

To: **Rennae Meno**
Clerk of the Legislature

From: **Senator Régine Biscoe Lee**
Chairperson, Committee on Rules

Re: **Fiscal Notes**

Buenas yan Håfa adai.

Attached, please find the fiscal notes for the following bills:

Bill No. 35-35 (COR)
Bill No. 142-35 (COR)
Bill No. 143-35 (COR)

Please forward the same to Management Information Services (MIS) for posting on our website.

For any questions or concerns, please feel free to contact Mary Maravilla, Committee on Rules Director at 472-2461.

Thank you for your attention to this important matter.



Bureau of Budget & Management Research

Fiscal Note of Bill No. 142-35 (COR)

AN ACT TO IMPLEMENT A RESPONSIBLE, MODERATE, INCREMENTAL RAISING OF THE MINIMUM WAGE AND TO ROLLBACK THE BUSINESS PRIVILEGE TAX FROM FIVE PERCENT (5%) TO FOUR PERCENT (4%), BY REPEALING SECTION 2 OF PUBLIC LAW 34-116 AND AMEND §26202, (a), (c), (d), (e), (f), (g), (h), (i), (j), (j)(1), and (j)(2), ARTICLE 2, CHAPTER 26, TITLE 11 OF THE GUAM CODE ANNOTATED RELATIVE TO ROLLING BACK THE BUSINESS PRIVILEGE TAX FROM FIVE PERCENT (5%) TO FOUR PERCENT (4%) AND TO AMEND §3105 OF ARTICLE 1, CHAPTER 3, TITLE 22 OF THE GUAM CODE ANNOTATED, RELATIVE TO A RESPONSIBLE, MODERATE, INCREMENTAL RAISING OF THE MINIMUM WAGE.

Department/Agency Appropriation Information	
Dept./Agency Affected: Department of Revenue & Taxation	Dept./Agency Head: Dafne Shimizu, Director
Department's General Fund (GF) appropriation(s) to date:	\$8,435,879
Department's Other Fund (Specify) appropriation(s) to date: Banking & Insurance Enforcement Fund, Better Public Service Fund, and Tax Collection Enhancement Fund	\$3,014,354
Total Department/Agency Appropriation(s) to date:	\$11,450,233

Department/Agency Appropriation Information	
Dept./Agency Affected: Department of Labor	Dept./Agency Head: David Dell'Isola, Director
Department's General Fund (GF) appropriation(s) to date:	\$1,687,252
Department's Other Fund (Specify) appropriation(s) to date: Manpower Development Fund	\$406,666
Total Department/Agency Appropriation(s) to date:	\$2,093,918

Fund Source Information of Proposed Appropriation			
	General Fund:	(Specify Special Fund):	Total:
FY 2018 Unreserved Fund Balance		\$0	\$0
FY 2019 Adopted Revenues	\$0	\$0	\$0
FY 2019 Appro. (P.L. 34-116 thru _____)	\$0	\$0	\$0
Sub-total:	\$0	\$0	\$0
Less appropriation in Bill	\$0	\$0	\$0
Total:	\$0	\$0	\$0

Estimated Fiscal Impact of Bill						
	One Full Fiscal Year	For Remainder of FY 2019 (if applicable)	FY 2020	FY 2021	FY 2022	FY 2023
General Fund ^{1/}	\$0	\$0	\$0	\$0	\$0	\$0
Special Fund	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$0	\$0	\$0	\$0	\$0	\$0

1. Does the bill contain "revenue generating" provisions? / X / Yes / / No
If Yes, see attachment
2. Is amount appropriated adequate to fund the intent of the appropriation? / X / N/A / / Yes / / No
If no, what is the additional amount required? \$ _____ / X / N/A
3. Does the Bill establish a new program/agency? / / Yes / X / No
If yes, will the program duplicate existing programs/agencies? / X / N/A / / Yes / / No
Is there a federal mandate to establish the program/agency? / / Yes / X / No
4. Will the enactment of this Bill require new physical facilities? / / Yes / X / No
5. Was Fiscal Note coordinated with the affected dept/agency? If no, indicate reason: / X / Yes / / No
/ / Requested agency comments not received by due date / / Other:

Analyst: <u>Jason Baza</u>	Date: <u>6/4/19</u>	Director: <u>Lester L. Carlson, Jr.</u>	Date: <u>JUN 04 2019</u>
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Notes:
1/ See attached comments.

Bureau of Budget & Management Research
Attachment to Fiscal Note No. 142-35 (COR)
(for revenue generating provisions)

Projected Multi-Year Revenues					
	Year 1 (FY 2020)	Year 2	Year 3	Year 4	Year 5
General Fund ^{1/}	(\$63,055,703)	(\$64,316,817)	(\$65,603,153)	(\$66,915,216)	(\$68,253,521)
Other Fund:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total	(\$63,055,703)	(\$64,316,817)	(\$65,603,153)	(\$66,915,216)	(\$68,253,521)

Comments:

1/ The estimated impact in reducing the Business Privilege Tax (BPT) from 5% to 4% for FY 2020 amounts to \$63,055,703. This is based on the estimated gross receipts collections derived from the projected BPT revenue contained in the Governor's FY 2020 Executive Budget Request (see below for calculation). The Bureau is assuming an organic growth rate of 2% in reduced revenues for the subsequent fiscal years.

See attached comments for further details.

Governor's FY 2020 Executive Budget Request

Business Privilege Taxes \$315,278,514

Gross Receipt Collections based on FY 2020 BPT Projection

(BPT Projection divided by 5%) \$6,305,570,280

Adjusted FY 2020 BPT Collection with Rollback to 4%

(Gross Receipt Collections * 4%) \$252,222,811

Variance (FY 2020 BPT @ 5% vs. 4%) **(\$63,055,703)**

BUREAU OF BUDGET AND MANAGEMENT RESEARCH
COMMENTS ON BILL NO. 142-35 (COR)

The proposed legislation intends to do two things: 1) repeal Section 2 of P.L. 34-116 relative to the increase of the Business Privilege Tax (BPT) to five percent (5%) and rollback the BPT to four percent (4%); and 2) implement an incremental increase to Guam's minimum wage from the current rate of Eight Dollars and Twenty-Five Cents (\$8.25) to Eight Dollars and Seventy-Five Cents (\$8.75) effective July 1, 2020 and to Nine Dollars and Twenty-Five Cents (\$9.25) effective July 1, 2021.

The estimated revenue level for BPT per P.L. 34-116 (FY 2019 Budget Act) is \$311,528,514, which was adopted via the increase of the BPT levy to 5%. The estimated gross receipts collections based on the FY 2019 adopted level for BPT amounts to \$6,230,570,280 (reflective of adopted level divided by 5%). Applying a reduced levy of 4% to the estimated gross receipt collection calculated above would yield an annual BPT of \$249,222,811, or \$62,305,703 less than the adopted level. Per the April 2019 Consolidated Revenue & Expenditure Report, BPT is tracking to collect \$315,956,231 at the current adopted tax levy of 5%.

The Bureau notes that Section 6 of the proposed legislation cites the effective date of the repeal and rollback of BPT to be October 1, 2019 (first day of FY 2020), meaning that there will be no anticipated fiscal impact in FY 2019. However, applying the same calculation methodology to the Governor's FY 2020 Executive Budget Request's BPT level of \$315,278,514, the estimated reduction in revenues to be received by the General Fund, and correspondingly be unavailable for departmental appropriations, amounts to \$63,055,703.

Relative to the incremental increase of Guam's minimum wage, there will likely be a direct impact to the Department Labor's (DOL) Employment and Training Program. Per correspondence with DOL, the current cost per participant amounts to \$9,236 per fiscal year. The first incremental minimum wage increase to \$8.75 will result in an increase of \$560 per participant, with the second incremental minimum wage increase to \$9.25 resulting in an additional increase of another \$560. Absent an increase in federal funding for the program, DOL may have to reduce work hours and/or the number of program participants.

Per local media sources, research on Guam's wages from May 2018 focusing on low-wage categories revealed the average pay for food service jobs to be \$8.86, childcare workers to be \$9.05, packagers to be \$9.22, housekeepers to be \$9.32, hotel desk clerks to be \$9.53, and bakers to be \$9.96. As such, increasing the minimum wage to \$8.75 and subsequently \$9.25 will have a nominal affect to increased income and withholding taxes.

Although there is a potential for increased individual and withholding tax revenues from an increased minimum wage, such increase would only be a small fraction to the estimated reduction in revenues via a rollback of BPT from 5% to 4% also contained in this legislation.