



Office of the Governor of Guam

P.O. Box 2950 Hagåtña, Guam 96932

TEL: (671) 472-8931 • FAX: (671) 477-4826 • EMAIL: governor@mail.gov.gu

Felix Perez Camacho
Governor

Kaleo Scott Moylan
Lieutenant Governor

20 JUL 2006

The Honorable Mark Forbes
Speaker
Mina' Bente Ocho Na Liheslaturan Guåhan
155 Hessler Street
Hagåtña, Guam 96910

Dear Mr. Speaker:

Transmitted herewith is Bill No. 148(LS), "AN ACT TO AMEND §3105 OF TITLE 22 OF THE GUAM CODE ANNOTATED, RELATIVE TO RAISING THE MINIMUM WAGE TO FIVE DOLLARS AND SEVENTY-FIVE CENTS (\$5.75) PER HOUR ON JULY 1, 2007," which I signed into law on July 18, 2006, as **Public Law 28-140**.

Sinseru yan Magåhet,

FELIX P. CAMACHO
I Muga'låhen Guåhan
Governor of Guam

Attachment: copy attached of signed bill

cc: The Honorable Eddie Baza Calvo
Senator and Legislative Secretary

Office of the Speaker

MARK FORBES

Date: 7/20/06

Time: 3:15 pm

Rec'd by: EP

Print Name: EP

28-06-0961



MINA' BENTE OCHO NA LIHESLATURAN GUÅHAN
TWENTY-EIGHTH GUAM LEGISLATURE
155 Hessler Place, Hagåtña, Guam 96910

COPY

July 6, 2006


The Honorable Felix P. Camacho
I Maga'lahen Guåhan
Ufisinan I Maga'lahi
Hagåtña, Guam 96910



Dear *Maga'lahi* Camacho:

Transmitted herewith are Bill Nos. 148(LS) & 293(EC) which were passed by *I Mina' Bente Ocho Na Liheslaturan Guåhan* on July 3, 2006.

Sincerely,


EDWARD J.B. CALVO
Senator and Secretary of the Legislature

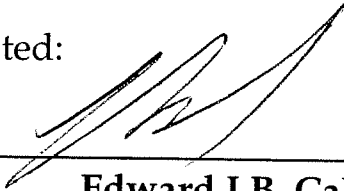
Enclosures (2)

I MINA'BENTE OCHO NA LIHESLATURAN GUÅHAN
2006 (SECOND) Regular Session

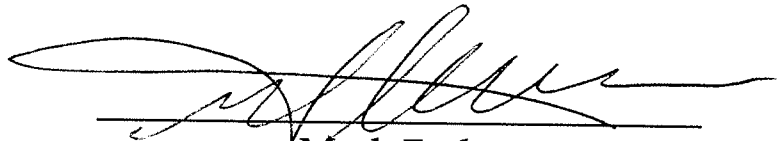
CERTIFICATION OF PASSAGE OF AN ACT TO I MAGA'LAHEN GUÅHAN

This is to certify that Bill No. 148 (LS) "AN ACT TO AMEND §3105 OF TITLE 22 OF THE GUAM CODE ANNOTATED, RELATIVE TO RAISING THE MINIMUM WAGE TO FIVE DOLLARS AND SEVENTY-FIVE CENTS (\$5.75) PER HOUR ON JULY 1, 2007," was on the 3rd day of July, 2006, duly and regularly passed.

Attested:

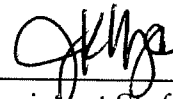


Edward J.B. Calvo
Senator and Secretary of the Legislature



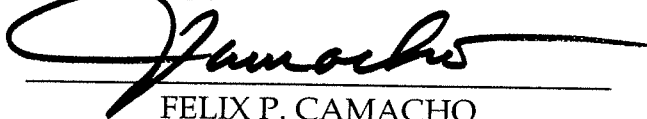
Mark Forbes
Speaker

This Act was received by *I Maga'lahaen Guåhan* this 6th day of July, 2006, at
10:10 o'clock P.M.



Assistant Staff Officer
Maga'laha's Office

APPROVED:



FELIX P. CAMACHO
I Maga'lahaen Guåhan

Date: 18 July 2006

Public Law No. 28-140

I MINA'BENTE OCHO NA LIHESLATURAN GUÅHAN
2005 (FIRST) Regular Session

Bill No. 148 (LS)

As amended in the
Committee of the Whole
and further amended on the
Floor.

Introduced by:

B. J.F. Cruz
R. J. Respicio
F. B. Aguon, Jr.
A. B. Palacios, Sr.
J. T. Won Pat
J. M.S. Brown
Edward J.B. Calvo
Mike Cruz
Mark Forbes
L. F. Kasperbauer
R. Klitzkie
J. A. Lujan
Ray Tenorio
A. R. Unpingco

**AN ACT TO *AMEND* §3105 OF TITLE 22 OF THE
GUAM CODE ANNOTATED, RELATIVE TO RAISING
THE MINIMUM WAGE TO FIVE DOLLARS AND
SEVENTY-FIVE CENTS (\$5.75) PER HOUR ON JULY 1,
2007.**

1 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2 **Section 1.** §3105 of Division 1, Chapter 3, Article 1 of Title 22

3 G.C.A. is hereby *amended* to read:

4 **“§3105. Minimum Wages.** Every employer shall
5 pay each person employed by him wages at a rate *not less*

1
2

than Five Dollars and Seventy-Five Cents (\$5.75) per
hour, effective July 1, 2007.”

I MINA' BENTE OCHO NA LIHESLATURAN GUAHAN

2006 (SECOND) Regular Session

Date: 7/03/06

VOTING SHEET

Bill No. HR (25)
 Resolution No. _____
 Question: _____

without engrossment

NAME	YEAS	NAYS	NOT VOTING/ ABSTAINED	OUT DURING ROLL CALL	ABSENT
AGUON, Frank B., Jr.					GA ✓
BROWN, Joanne M.S.	✓				
CALVO, Edward J.B.	✓				
CRUZ, Benjamin J.F.	✓				
CRUZ, Michael (Dr.)	✓				
FORBES, Mark	✓				
KASPERBAUER, Lawrence F.	✓				
KLITZKIE, Robert					GA ✓
LUJAN, Jesse A.	✓				
PALACIOS, Adolpho B.	✓				
RESPICIO, Rory J.	✓				
TENORIO, Ray	✓				
UNPINGCO, Antonio R.					GA ✓
WON PAT, Judith T.	✓				

TOTAL

11 0 0 0 3

CERTIFIED TRUE AND CORRECT:

Patricia C. Santos
 Clerk of the Legislature

* 3 Passes = No vote
 EA = Excused Absence

Back to 2nd Reading
6/30/06
3rd
7/3/06

Discussed
7/3/06

*w/o engrossment
& title not
read & to
have LC
G. J. Cruz*

**I MINA' BENTE OCHO NA LIHESLATURAN GUÅHAN
2005 (FIRST) Regular Session**

Bill No. 148 (LS)

As amended in the
Committee of the Whole.

*

Introduced by:

- B. J.F. Cruz
- R. J. Respicio
- F. B. Aguon, Jr.
- A. B. Palacios, Sr.
- J. T. Won Pat
- J. M.S. Brown
- Edward J.B. Calvo
- Mike Cruz
- Mark Forbes
- L. F. Kasperbauer
- R. Klitzkie
- J. A. Lujan
- Ray Tenorio
- A. R. Unpingco

Change Title

**~~AN ACT TO PLACE ON THE BALLOT AT THE
GENERAL ELECTION AN INITIATIVE TO AMEND
SECTION 3105 OF TITLE 22 OF THE GUAM CODE
ANNOTATED, RELATIVE TO RAISING THE
MINIMUM WAGE TO FIVE DOLLARS AND SEVENTY-
FIVE CENTS PER HOUR BY JULY 1, 2007.~~**

BE IT ENACTED BY THE PEOPLE OF GUAM:

Section 1. Section 3105 of Division 1, Chapter 3, Article 1 of Title
22 G.C.A. is amended to read:

“§3105. Minimum Wages. Every employer shall
pay each person employed by him wages at a rate *not less*

*by the FA2
7/3/06*

1 *than* Five Dollars and Seventy-Five Cents (\$5.75) per
2 hour effective July 1, 2007.”

3 **Section 2.** *I Liheslatura* directs that Section 1 of this Act be
4 submitted to the voters at the General Election in November 2006 pursuant
5 to Title 3 G.C.A. Chapter 17, Article 4. For purposes of said election,
6 approval by a majority of valid votes cast on the measure shall be necessary
7 for the enactment into law of the initiative measure. Valid votes cast on said
8 measure shall include all votes cast in favor of or against the measure but
9 shall *not* include blank, spoiled or invalid ballots cast.

10 **Section 3.** ~~Section 1 of this Act shall become effective *only* upon~~
11 ~~passage of the initiative directed by Section 2 hereof by the voters at the~~
12 ~~General Election in November 2006.~~

7/3/06
[Handwritten initials]

Passed FA No. 1

Date: 7/3 Time: _____

11:11 A

I MINA'BENTE OCHO NA LIHESLATURAN GUÅHAN

FLOOR AMENDMENTS/CHANGES

Bill No. 148

JMSB

Senator Proposing Amendment

(Below for Senator to complete)

Please describe proposed amendment, including where change to occur:

p. 2 & eliminate Section 243.

(Below only for Clerk of Legislature's use and processing)

Date 7/3, 2006

Floor Amendment No. 1 of a total of _____ changes on above Bill.

Votes For Amendment: _____ Votes Against Amendment: _____

AMENDMENT PASSED:

Amendment Failed: _____

Amendment Withdrawn: _____

APPROVED AS TO FORM PASSED

[Signature]
AUTHOR OF AMENDMENT

Concur *(initial)*

[Signature]
Clerk of Legislature

Speaker

Ass't. Amend. Clerk

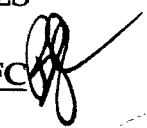
Engrossment Staff

Passed FA No. _____

Date: _____ Time: _____

**I MINA' BENTE OCHO NA LIHESLATURAN GUAHAN
FLOOR AMENDMENTS/CHANGES**

Bill No. 148(LS)

Senator Proposing Amendment: BIFC 

Describe proposed amendment and/or change here:

Replace Section 1 of Bill 148(LS) with the following

"Section 1. Minimum Wage. Section 3105 of Division 1, Chapter 3 of Title 22 of the Guam Code Annotated is hereby repealed and reenacted as follows:
§3105. Minimum Wages. Every employer shall pay each person employed by him wages at a rate not less than Five Dollars and Seventy-Five Cents (\$5.75) per hour effective August 1, 2006 until January 1, 2007, when the rate shall increase to Six Dollars and Twenty-Five Cents (\$6.25) per hour."

(Below for Clerk of Legislature's use and processing)

Date: 7/3/06

Floor Amendment No. 2 of a total of _____ changes on above Bill.

Votes For Amendment: _____ Votes Against Amendment: _____

AMENDMENT PASSED: _____ AMENDMENT FAILED:

AMENDMENT WITHDRAWN: _____

~~APPROVED AS TO FORM PASSED~~
CONCUR (INITIAL)

Clerk of Legislature

Ass't Amend. Clerk

Engrossment Staff

Speaker

B140

State	Minimum Wage Rate		State	Minimum Wage Rate
Alabama	5.15		Montana	5.15
Alaska	7.15		Nebraska	5.15
American Samoa	n/a	Special Minimum Wage Rate	Nevada	5.15
Arizona	5.15		New Hampshire	5.15
Arkansas	5.15	Applicable to employers of 4 or more employees	New Jersey	6.15
California	6.75		New Mexico	5.15
Colorado	5.15		New York	6.75
Connecticut	7.40		North Carolina	5.15
Delaware	6.15		North Dakota	5.15
District of Columbia	7.00		Ohio	4.25
Florida	6.40		Oklahoma	5.15
Georgia	5.15		Oregon	7.50
Guam	5.15		Pennsylvania	5.15
Hawaii	6.75		Puerto Rico	3.61
Idaho	5.15		Rhode Island	7.10
Illinois	6.50	Applicable to employers of 4 or more employees	South Carolina	n/a
Indiana	5.15		South Dakota	5.15
Iowa	5.15		Tennessee	n/a
Kansas	2.65		Texas	5.15
Kentucky	5.15		Utah	5.15
Louisiana	n/a		Vermont	7.25
Maine	6.50		Virginia	5.15
Maryland	6.15		Virgin Islands	4.65
Massachusetts	6.75		Washington	7.63
Michigan	5.15		West Virginia	5.15
Minnesota	6.15		Wisconsin	5.70
Mississippi	n/a		Wyoming	5.15
Missouri	5.15			

Number of States following Federal Minimum Wage Rate
 Number of States with wage rate higher than Federal Rate
 Number of States with wage rate lower than Federal Rate
 Number of States exempt from Fair Labor Standards Act

27 —
 19 —
 4 —
 5 —
 55

Guam's current min. wage at \$5.15 is higher
 Guam: KANSAS - 2.65
 Ohio - 4.25
 Puerto Rico - 3.61
 V.I. - 4.65

Handwritten signature

CO Whelan 6/20/06
CO Whelan 6/21/06
6/28/06
3rd Rd

**I MINA' BENTE OCHO NA LIHESLATURAN GUAHAN
2005 (FIRST) REGULAR SESSION**

Bill No. 148 (LS)

Introduced by:

**B.J.F. Cruz
R.J. Respicio
F.B. Aguon Jr.
A.B. Palacios
J.T. Won Pat
~~L.A. Leon Guerrero~~**

**AN ACT TO REPEAL AND REENACT SECTION 3105
OF TITLE 22 OF THE GUAM CODE ANNOTATED,
RELATIVE TO RAISING THE MINIMUM WAGE TO
FIVE DOLLARS AND SEVENTY-FIVE CENTS PER
HOUR BY JANUARY 1, 2006 AND SIX DOLLARS
AND TWENTY TWENTY-FIVE CENTS PER HOUR BY
JANUARY 1, 2007**

1 **BE IT ENACTED BY THE PEOPLE OF GUAM:**

2 **Section 1. Legislative Intent.** *I Liheslaturan Guahan* finds that
3 Guam's current minimum wage, which pursuant to Section 3121 of
4 Title 22 of the Guam Code Annotated, is based on the established
5 federal minimum wage rate of Five Dollars and Fifteen Cents (\$5.15)
6 per hour, is below the poverty line and deficient for the purpose of
7 minimum wage earners caring for children, the elderly, and their
8 families. *I Liheslaturan Guahan* further finds that aside from the
9 federal laws increasing the minimum wage, the 19th Guam
10 Legislature made the last local minimum wage adjustment to Three

1 Dollars and Seventy-five Cents (\$3.75) per hour.

2 Seventeen state legislatures and the District of Columbia have
3 adopted a minimum wage higher than the federally established
4 minimum wage. They are as follows: Alaska - \$7.15, California -
5 \$6.75, Connecticut - \$7.10 with increases on January 1, 2006 to \$7.40
6 and by January 1, 2007, Delaware - \$6.15, District of Columbia - \$6.60
7 with an increase to \$7.00 by January 1, 2006, Florida - \$6.15 with
8 annual increases based on inflation, Illinois - \$6.50, Maine - \$6.35 with
9 an increase to \$6.50 by October 1, 2005, Massachusetts - \$6.75,
10 Minnesota - \$6.15 on August 1, 2005, New Jersey - \$6.15 on October 1,
11 2005 with an increase to \$7.15 by October 1, 2006, New York - \$6.00
12 with an increase to \$6.15 on October 1, 2005 and \$7.15 by October 1,
13 2006, Oregon - \$7.25 with annual increases based on inflation, Rhode
14 Island - \$6.75, Vermont - \$7.00 with a tentative plan to increase to
15 \$7.25, Washington - \$7.35 with annual increases based on inflation,
16 and Wisconsin - \$5.70 beginning June 1, 2005 with an increase to
17 \$6.50 by June 1, 2006.

18 The state of Hawaii, whose economy in greater scale is most
19 similar to Guam, has adopted a minimum wage rate of Six Dollars
20 and Twenty-five Cents (\$6.25) per hour with increases on January 1,
21 2006 to \$6.75 and a tentative increase by January 1, 2007 to \$7.25.

22 With the increase in economic activity resulting from the
23 stabilization of tourism and federal defense spending, combined with
24 the positive economic indicators announced by *I Maga'lahaen Guahan*
25 which have enabled the restoration of employee increments to

1 government of Guam employees, it's the intent of *I Liheslaturan*
2 *Guahan* to increase the minimum wage on Guam from the federally
3 established rate of Five Dollars and Fifteen Cents (\$5.15) per hour to
4 the rate of Five Dollars and Seventy-Five Cents (\$5.75) per hour by
5 January 1, 2006 and then to Six Dollars and Twenty-Five Cents (\$6.75)
6 per hour by January 1, 2007.

7 **Section 2. Minimum Wage.** Section 3105 of Division 1, Article
8 1, Chapter 3 of Title 22 of the Guam Code Annotated is hereby
9 *repealed and reenacted* as follows:

10 §3105. Minimum Wages. Every employer shall pay each person
11 employed by him wages at a rate not less than ~~Three Dollars~~
12 ~~and Seventy five Cents (\$3.75)~~ Five Dollars and Seventy-Five
13 Cents (\$5.75) per hour effective January, 1989 ^{August 1, 2006} ~~January 1, 2006~~ until January 1, 2007, when the rate shall increase to Six Dollars
14 and Twenty-Five Cents (\$6.25) per hour.
15

BOC #2
13
14
15
alf FA3

section 2
section 3

Passed FA No. 1

Date: 4/28 Time: 3 P

**I MINA'BENTE OCHO NA LIHESLATURAN GUAHAN
FLOOR AMENDMENTS/CHANGES**

Bill No. 148(LS)

Senator Proposing Amendment: BJFC

Moot

Describe proposed amendment and/or change here:

Replace Line 13, Page 3 of Bill 148(LS) with the following:

"Cents (\$5.75) per hour effective January, 1989 August 1, 2006"

(Below for Clerk of Legislature's use and processing)

Date: 6/28/06

Floor Amendment No. 2 of a total of _____ changes on above Bill.

Votes For Amendment: _____ Votes Against Amendment: _____

AMENDMENT PASSED: AMENDMENT FAILED: _____

AMENDMENT WITHDRAWN: _____

**APPROVED AS TO FORM PASSED
CONCUR (INITIAL)**

[Signature]

Clerk of Legislature

Ass't Amend. Clerk

Engrossment Staff

Speaker

I MINA' BENTE OCHO NA LIHESLATURAN GUAHAN

FLOOR AMENDMENTS/CHANGES

Bill No. 148

A.B. Palacios

Senator Proposing Amendment

(Below for Senator to complete)

Please describe proposed amendment, including where change to occur:

1. Delete Section 1 entirely.

2. Renumber Section 2 as Section 1 and to amend that Section to read: "Section 3105 of Division 1, Article 1, Chapter 3 of Title 22 G.C.A. is hereby repealed and re-enacted to read:

Section 3105. Minimum Wages. Every employer shall pay each person employed by him wages at a rate not less than Five Dollars and Seventy-Five Cents (\$5.75) per hour effective July 1, 2007."

3. To add a new Section 2 to read:

"The Legislature directs that Section 1 of this bill be put before the voters at the General Election in November 2006 pursuant to Title 3 G.C.A. Chapter 17, Article 4. For purposes of said election, approval by a majority of valid votes cast on the measure shall be necessary for the enactment into law of the initiative measure. Valid votes cast on said measure shall include all votes cast in favor of or against the measure but shall not include blank, spoiled or invalid ballots cast."

4. To add a new Section 3 to read: "Section 1 of this Act shall become effective only upon passage of the initiative directed by Section 2 hereof by the voters at the General Election in November 2006."

(Below only for Clerk of Legislature's use and processing)

Date 6/28/06

Floor Amendment No. 3 of a total of _____ changes on above Bill.

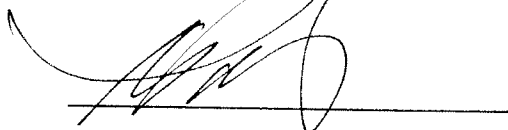
Votes For Amendment: _____ Votes Against Amendment: _____

AMENDMENT PASSED:

Amendment Failed: _____

Amendment Withdrawn: _____

APPROVED AS TO FORM PASSED




ws

Passed FA No. _____

Date: _____ Time: _____

AUTHOR OF AMENDMENT

Concur (*initial*)



Clerk of Legislature

Speaker

____ Ass't. Amend. Clerk
____ Engrossment Staff

Panel on Bill 148 6/21/06

<u>Name</u>	<u>Dept</u>
1. Joseph S. Diaz	Public Health & Social Serv.
2. Curtis Ladd Bell	" " " "
3. RONALD LUTAN	GHURA
4. Maria S. Connelly	SDOL
5. Gary Hiler	GDOL

Comm. of the whole PANEL MEMBERS
(B. 148)

6/22/06

1. Matt Rector GFT
 2. Marie N. Emerrevo GTRA
 3. BART JACKSON GTRA
- Gerry Perez GVB Director

6/23/06 Bill No 148 Panel Members

- 1) Benny Pinault ~~J. Mura~~ ^{Ghura} deputy Dir
- 2) Cadd Bell Public Health
- 3) Dave Tydingco ^{Chair} ~~HVR~~ ~~SHRA~~ ok
- 4) Bart Jackson SHRA / PIC
- 5) Matt Rector LFT
- 6) Tom ~~Blas~~ ~~T. Flores~~ ^{T-Factory} Business owner
- 7) Mark Manczars? Black Const.

B148 Panel memo 6/23/06

Bell
Lector

~~Public Health~~

Jackson
D. Tydinged
M. Connolly


BENNY A. PINAULA DD, GAWA

Passed FA No. _____

Date: _____ Time: _____

**I MINA'BENTE OCHO NA LIHESLATURAN GUAHAN
FLOOR AMENDMENTS/CHANGES**

Bill No. 148(LS)

Senator Proposing Amendment: RJR 

Describe proposed amendment and/or change here:

Replace Section 2 of Bill 148(LS) with the following

"Section 2. Minimum Wage. Section 3105 of Division 1, Chapter 3 of Title 22 of the Guam Code Annotated is hereby repealed and reenacted as follows: §3105. Minimum Wages. Every employer shall pay each person employed by him wages at a rate not less than [~~Three Dollars and Seventy Five Cents (\$3.75)~~ ~~Five Dollars and Seventy Five Cents (\$5.75)~~ Five Dollars and Eighty-Five Cents (\$5.85) per hour effective [~~January, 1989~~] October 1, 2006 until January 1, 200[~~7~~8], when the rate shall increase to ~~Six Dollars and Twenty Five Cents (\$6.25)~~ Six Dollars and Fifty-Five Cents (\$6.55) per hour until January 1, 2009, when the rate shall increase to Seven Dollars and Twenty Five Cents (\$7.25) per hour "

(Below for Clerk of Legislature's use and processing)

Date: 6/21/06 - 6/26/06

Floor Amendment No. 1 of a total of _____ changes on above Bill.

Votes For Amendment: _____ Votes Against Amendment: _____

AMENDMENT PASSED: _____ AMENDMENT FAILED:

AMENDMENT WITHDRAWN: _____

**APPROVED AS TO FORM PASSED
CONCUR (INITIAL)**

authr/Senator

ms
Clerk of Legislature
Ass't Amend. Clerk
Engrossment Staff

Speaker

Passed FA No. _____

Date: _____ Time: _____

I MINA' BENTE OCHO NA LIHESLATURAN GUAHAN
FLOOR AMENDMENTS/CHANGES

Bill No. 148

Senator Proposing Amendment: ~~RJR~~ *BJFC*

Describe proposed amendment and/or change here:

Add a New Section to Bill 148 as follows:

Section 2. Legislative Submission.

(a) Pursuant to Chapter 17 of Title 3 Guam Code Annotated, the Guam Election Commission shall place the following on a ballot for voting in the General Election of November 7, 2006:

"Shall Section 3105 of Division 1, Article 1, Chapter 3 of Title 22 of the Guam Code Annotated, be repealed and reenacted to read:

§3105. Minimum Wages. Every employer shall pay each person employed by him wages at not less than Five Dollars and Eighty Five Cents (\$5.85) per hour effective on January 1, 2007, Six Dollars and Fifty-Five Cents (\$6.55) per hour effective on January 1, 2008, and Seven Dollars and Twenty-Five Cents (\$7.25) per hour effective on January 1, 2009."

(b) The choices provided to voters on the ballot shall be "YES" and "NO."

Date: 6/28/06 (Below for Clerk of Legislature's use and processing)

Floor Amendment No. 30 of a total of _____ changes on above Bill.

Votes For Amendment: _____ Votes Against Amendment: _____

AMENDMENT PASSED: _____

AMENDMENT FAILED: *3 votes*

AMENDMENT WITHDRAWN: _____

APPROVED AS TO FORM PASSED

CONCUR (INITIAL)

[Signature]
Clerk of Legislature

Speaker

keep

COMMITTEE TO ~~GET~~ GUAM WORKING

**P.O. BOX 12026
TAMUNING, GUAM 96911**

June 21, 2006

The Honorable Jesse A. Lujan,
Chairman
Committee on Aviation, Immigration, Labor & Housing
Mina' Bente Ocho Na Lehislaturan Guaha
155 Hessler Place
Hagatna, Guam 96910

Re: Bill No. 148 – Proposed Minimum Wage Increase

Hafa Adai Senator Lujan:

As you may well be aware, the Committee To Get Guam Working (CTGGW) is comprised of the five primary private sector organizations including the Guam Chamber of Commerce, The Guam Hotel Restaurant Association, The Japan-Guam Travel Association, The Guam Contractors Association and the Employer's Council of Guam. Our goal as a single organization is to garner unilateral support from all its members on behalf of issues that may positively or negatively affect its membership and certainly the future of Guam's economic growth.

To this end CTGGW stands in unified opposition to any increase in the minimum wage for a number of reasons:

1. As Guam's economy grows so will the demand for workers. As such, the laws of supply and demand (free market forces) should naturally drive the minimum wage scales.
2. Although there is much optimism about the direction our tourism industry taking and the anticipated military spending on Guam, many of our local service-related and retail businesses are still struggling to survive. The unintended consequences of a legislated minimum wage increase could manifest in an overall reduction in the number of employees as other wages are artificially forced upwards with no corresponding increase in sales or revenues to support the additional costs. Companies may be forced to increase their prices just to stay in business. Please bear in mind that rising fuel and shipping costs also negatively affect wholesalers and suppliers across the board and these increases are being passed on to the front line businesses as well.
3. The smaller businesses on Guam will be the first affected by a minimum wage increase. These include start-up businesses, mom and pop retail and eating establishments and the numerous local small businesses that supply services and goods to the larger businesses on Guam including the government.



GUAM CHAMBER OF COMMERCE
PARTNERS IN PROGRESS



4. An increase in the minimum wage will eventually equate to additional increases in the retail price of goods further negatively affecting the very people (minimum wage earners) the bill proclaims to be helping in the first place.
5. Finally, we strongly recommend that a comprehensive wage study should be conducted before legislation of this sort is even considered.

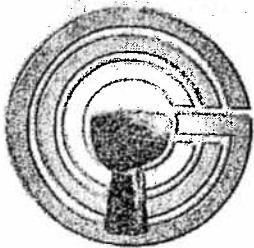
The CTGGW's collective perspective is that government should allow free market forces to dictate wages beyond the federal minimum wage rates. Our community would be better served through legislation that would enhance opportunities to properly prepare our workforce through proper training and vocational education. A trained and educated workforce is the fastest and most productive way to naturally increase wages across the board and improve the overall quality of life for all our people.

We respectfully implore you and your colleagues not to support this effort to legislate people out of poverty. Artificially inflating wages without a corresponding improvement in our Gross Island Product is dangerous and detrimental to the orderly and practical growth of our economy.

Thank You,



Mark Mamczars,
Chairman,
Committee to Get Guam Working



GUAM CHAMBER OF COMMERCE
PARTNERS IN PROGRESS

August 12, 2005

SENATOR JESSE A. LUJAN
Chairman
Committee on Aviation, Immigration, Labor & Housing
Mina' Bente Ocho Na Liheslaturan Guahan
155 Hesler Place
Hagåtña, Guam 96910

RE: BILL NO. 148 - PROPOSED MINIMUM WAGE INCREASE

Hafa Adai Senator Lujan:

On behalf of the Board of Directors of the Guam Chamber of Commerce, I would like to thank you for the opportunity to submit testimony on Bill No. 148 proposing to raise the minimum wage on Guam. I am transmitting for the record, a copy of our June 29, 2005 letter to the bill's author, Senator Benjamin J.F. Cruz, which states our position against the proposed increase.

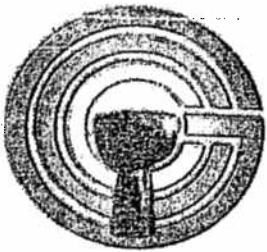
We appreciate your consideration of our organization's thoughts on this important issue.

Senseramente,

MONTY A. McDOWELL
Chairman of the Board

Attachment

Received By: S. Matanane
Date: 8/12/05



GUAM CHAMBER OF COMMERCE
PARTNERS IN PROGRESS

June 29, 2005

SENATOR BENJAMIN J.F. CRUZ
Twenty-Eighth Guam Legislature
139 Murray Blvd
Pan American Building, Suite 100
Hagatna, Guam 96910

RE: Proposed Increase in the Minimum Wage

Hafa Adai Senator Cruz:

The Guam Chamber of Commerce acknowledges receipt of your June 8th letter, along with legislation proposing to raise Guam's minimum wage rate. We appreciate your consideration of our organization's thoughts on important community issues and desire to keep this kind of dialogue open. We write to provide you with our initial comments on the proposed increase.

Guam's economy is still very fragile. If arrivals increase 6% this year, hotels will still only be operating at occupancy levels of 65% across the board. Room rates are still well below \$110, which used to be closer to \$130 island wide a number of years ago. This is insufficient to finance badly needed renovations and upgrades of existing hotels. In addition, average expenditure on island by our visitors has severely declined which impacts restaurants, concessionaire's income and other hotel revenues.

In spite of this fragile economic condition, when distressed properties come on the market, new investors have come into the market place and have given assurances to spend money for renovation. This will hopefully result in major improvements to some. A minimum wage increase changes proformas and may possibly have investors reconsider many of their decisions in regard to planned renovations. This would be a double blow to our economy, fewer dollars invested and much needed product improvement delayed or foregone.

Many of our members only hire experienced employees so they pay above minimum wage. But other employers start non-skilled entry-level employees at minimum wage until such time they acquire sufficient skills and are able to handle responsibility, at which time they get raises. The current minimum wage offers certain employees the opportunity to learn and show their desire to be productive.

The proposed minimum wage increase would eliminate many all-important first jobs for teenagers and others, which are predominantly of the low-skill, entry-level variety in our service industries, such as fast food shops and retail stores. We fear that rather than raising the standard of living for teenagers and other target groups, the legislation proposing the minimum wage increase would eliminate existing jobs simply because it would become more economical for employers to hire skilled as opposed to unskilled workers or to eliminate the job through automation. How will our teenagers get experience and opportunity if they can't find entry-level positions?

Please understand that all wages are based on a floor, i.e., the minimum wage. If the minimum wage increases, then all wages increase approximately the same amount, thus it raises cost of employment for everyone.

Since many businesses are continuing to suffer they may not be able to raise their prices so their employees can be provided the raises. If the raises are not market driven, they may be forced into another round of "layoffs" to survive; we believe this is the opposite of the intention with regards to raising the minimum wage. Increasing minimum wage in this economy will certainly result in job losses, the cost of which may well offset any gains by those earning a bit more. More people will then become eligible for various welfare programs, which will put further pressure on the Government's coffers.

Tax revenues will also be impacted. Payroll taxes may increase marginally, but income taxes and GRT will certainly be reduced by the slowdown in the economy.

It is the Chamber's goal that every employee in our community receives greater monetary compensation for their efforts but real increases can only come from economic expansion. The Chamber is optimistic that things will improve, especially with the indications that the Department of Defense may forward deploy more assets to Guam. Even when our economy is truly out of the recession and we have definitive proof of a growing economy, we should continue to let the marketplace dictate wages and salaries paid. When the economy is strong, the shortage of workers will drive all wages higher because there will be more capital circulating that can pay a higher price for labor. Today there is a dearth of capital and rather than increase tax revenues this increase would reduce them.

We recommend caution when comparing Hawaii's standard of living to Guam's. Unlike Guam, the State of Hawaii is highly developed, it provides its citizens with purified drinking water from every tap, countless parks and recreation facilities which have clean bathrooms and other amenities, a cultural center, museum and many other services not available here. And at this point in time, everyone has a job - there is no unemployment for those who wish to work and are employable.

Guam Chamber of Commerce
June 29, 2005 Letter re: Proposed Minimum Wage Increase
Page Three

In closing, we would like to emphasize that payment of the Earned Income Tax Credit would be the best way to benefit the lower income people – it precisely rewards those who are of lower income without impacting the entire workforce. And when there is a dip in the economy, less people will be laid off because the price of labor is not set arbitrarily high. The minimum wage is a price – a price for labor – and when prices go up for production, so do retail prices. If the minimum wage is raised it will roll upwards for all employees and the only thing that will happen is that prices will increase and the same people it purports to help will be hurt – they will be right back where they started. Actually as a group they will be worse off because some won't be able to produce at the new price for labor and won't be able to get a job.

These are just the initial comments from the Guam Chamber of Commerce and if desired, we are willing to meet with you for further discussions.

Senseramente,



MONTY A. MCDOWELL
Chairman
Guam Chamber of Commerce

Jal
6/15/06



Senator Jesse Anderson Lujan

Chairman, Committee on Aviation, Immigration, Labor and Housing

June 2, 2006

The Honorable Mark Forbes
Speaker
I Mina' Bente Ocho Na Liheslaturan Guåhan
155 Hesler Place
Hagåtña, Guam 96910

Dear Mr. Speaker:

The Committee on Aviation, Immigration, Labor and Housing, to which was referred **Bill No. 148 (LS)** has completed committee consideration as required and wishes to report out its findings without further recommendation.

Transmitted herewith for the Legislature's consideration and action is this committee's report on Bill No. 148 (LS).

Committee members voted on Bill No. 148 (LS) as follows:

<u>0</u> / <u>10</u> ✓	TO PASS
<u>0</u>	NOT TO PASS
<u>5</u> / <u>4</u> ✓	TO REPORT OUT ONLY
<u>0</u>	ABSTAIN
<u>0</u>	INACTIVE FILE

Thank you for your interest in this matter.

Sincerely,

JESSE ANDERSON LUJAN

Enclosure



Senator Jesse Anderson Lujan

Chairman, Committee on Aviation, Immigration, Labor and Housing

June 1, 2006

MEMORANDUM

TO: COMMITTEE MEMBERS
FROM: CHAIRMAN
SUBJECT: COMMITTEE REPORT – Bill No. 148 (LS)

Transmitted herewith for your information and action is this Committee's report on Bill No. 148 (LS): AN ACT TO REPEAL AND REENACT SECTION 3105 OF TITLE 22 OF THE GUAM CODE ANNOTATED, RELATIVE TO RAISING THE MINIMUM WAGE TO FIVE DOLLARS AND SEVENTY-FIVE CENTS PER HOUR BY JANUARY 1, 2006 AND SIX DOLLARS AND TWENTY FIVE CENTS PER HOUR BY JANUARY 1, 2007.

Attached are the following:

Committee Voting Sheet

Committee Report

Bill No. 148 (LS) and Referral to this Committee

Public Hearing Sign-in Sheets, for three hearings

Written testimonies submitted

Notices of Confirmation Hearing

Related media coverage confirming public notice and opportunity for public comment.

You are respectfully requested to indicate your recommendation as to Committee and further legislative action on Bill No. 148 (LS) on the Committee Voting Sheet.

If you have any questions or concerns on this matter, please do not hesitate to contact me.


JESSE ANDERSON LUJAN

Attachments



Senator Jesse Anderson Lujan

Chairman, Committee on Aviation, Immigration, Labor and Housing

COMMITTEE VOTING SHEET

Bill No. 148 (LS)

AN ACT TO REPEAL AND REENACT SECTION 3105 OF TITLE 22 OF THE GUAM CODE ANNOTATED, RELATIVE TO RAISING THE MINIMUM WAGE TO FIVE DOLLARS AND SEVENTY-FIVE CENTS PER HOUR BY JANUARY 1, 2006 AND SIX DOLLARS AND TWENTY TWENTY-FIVE CENTS PER HOUR BY JANUARY 1, 2007

	SIGNATURE	TO PASS	NOT TO PASS	TO REPORT OUT ONLY	ABSTAIN	TO PLACE IN INACTIVE FILE
Jesse Anderson Lujan, Chairman				6/1/06		
Mike Cruz, M.D., Vice-Chairman						
Speaker Mark Forbes, Ex-officio Member				✓		
Lawrence F. Kasperbauer, Member				X		
Ray Tenorio, Member						
Adolpho B. Palacios, Member				6/2/06		
Rory J. Respicio, Member						



Senator Jesse Anderson Lujan

Chairman, Committee on Aviation, Immigration, Labor and Housing

COMMITTEE REPORT

ON

Bill No. 148 (LS)

**AN ACT TO REPEAL AND REENACT SECTION 3105 OF
TITLE 22 OF THE GUAM CODE ANNOTATED,
RELATIVE TO RAISING THE MINIMUM WAGE TO
FIVE DOLLARS AND SEVENTY-FIVE CENTS PER
HOUR BY JANUARY 1, 2006 AND SIX DOLLARS AND
TWENTY TWENTY-FIVE CENTS PER HOUR BY
JANUARY 1, 2007**

I. OVERVIEW

The Committee on Aviation, Immigration, Labor and Housing held **three (3) public hearings** on **Bill No. 148, (LS) – AN ACT TO REPEAL AND REENACT SECTION 3105 OF TITLE 22 OF THE GUAM CODE ANNOTATED, RELATIVE TO RAISING THE MINIMUM WAGE TO FIVE DOLLARS AND SEVENTY-FIVE CENTS PER HOUR BY JANUARY 1, 2006 AND SIX DOLLARS AND TWENTY-FIVE CENTS PER HOUR BY JANUARY 1, 2007**. These were conducted on **August 12, 2005, September 15, 2005, and April 4, 2006**, in the Session Hall, *I Liheslaturan Guåhan*. Bill No. 148 (LS) was introduced on June 8, 2005 and referred to this Committee for public consideration two days later.

Public notice requirements for this hearing were duly met by notification of all media via e-mail. Topic coverage was extensive in both print and broadcast media, including editorials and calls, e-mails and letters from the public. The comment period for Bill No. 148 has been continuously open from the initial August 5, 2005 announcement of the first of three hearings, through May 12, 2006. Live cablecasts of the 2005 hearings were carried on MCV channel 61.

Compelling testimonies received in the August and September hearings highlighted the need for further objective statistical and survey data. Each comment interpreted subjective experience with Guam wage levels, cost of living, business expense or economic data according to one or another preferred theory that supported an argument for or against the proposed increase. Research into this issue reveals that statutory minimum wages primarily address living wages of the working poor with economy-wide consequences, not to deliberately use wage levels as a tool to deliberately stimulate or adjust the economy. Hence, all arguments favor the preferred use of policy to benefit employers or benefit employees. Subjective preference will ultimately decide this issue; objective analysis would consist of **consideration of Guam market data**, to determine whether economic sectors where minimum wage and low wage occupations are concentrated can sustain a two-step 12% + 8% labor cost increase without affecting viability or causing a corresponding decrease in employment numbers. A third hearing was scheduled for the second quarter of calendar year 2006 to accumulate updated information on (1) the extent of economic recovery; (2) the recovery of specific sectors which employ to absorb the targeted range of wage rates; and (3) refined consumer price index since the last statutory adjustment to minimum wage (as promised by the 2005 Household Income & Expenditures Survey (“HIES”).

The Committee's **comment period** on the proposed minimum wage increase was closed in mid-May 2006 to allow consideration of information available to date in full legislative session.

August 12: **Public notice** requirements for this hearing were met by notification of all media via e-mail on August 5, 2005 and again on August 10, 2005. The Weekly Legislative Calendar included this appointment in its August 5 update for legislative activities during the period August 6th through August 12th. The main sponsor issued a press release on this hearing on August 11. The Agenda announced an open period for testimonies to be received through August 17. A live cablecast of the proceedings was carried on Marianas Cable Vision, channel 61. The Chairman invited viewers of the cablecast to submit testimony subsequent to the hearing, to his office in person, by fax or e-mail. The following day, the Pacific Daily News featured the subject

bill and previous day's hearing, in an article that also provided contact information to the public for submitting testimony to this Committee.

September 15, 2005: Public notice requirements for this hearing were met by notification of all media via e-mail on September 8, 2005 and September 12, 2005. The Agenda appeared on the legislative website's "Weekly Legislative Calendar" starting on September 12. The Pacific Daily News included it in their "Government Meetings" feature on September 12, on page 5. K-57 included mention of Bill 148 on its local news at 8:07 AM, and on its news website. A live cablecast of the proceedings was carried on Marianas Cable Vision, channel 61. The comment period was continuous, as announced by the Chairman during the hearing; media interest was high: front-page stories appeared the following day in both the Pacific Daily News and Marianas Variety, and the PDN posed an on-line poll question as well. The Pacific Daily News published an editorial column representing its position on Bill 148 on September 17, entitled "Mistake: wages must be set by free market, not by lawmakers". Local businessman Carl Peterson published a column on this subject in the Pacific Daily News on November 20 (attached).

April 4, 2006: Public notice requirements for this hearing were met by notification of all media via e-mail on Monday, March 27 and Friday, March 31, 2006. The bill appeared as an agenda item on the legislative website's "Weekly Legislative Calendar" late on the previous week. This was included in the Pacific Daily News' "Government Meetings" column on Monday, April 3. A live cablecast of the proceedings, conducted in the Session Hall, was not carried on Marianas Cable Vision, channel 61, because the camera equipment was set up in the Public Hearing Room to cover a concurrent hearing by another committee. Subsequent to the hearing, but before the comment period for Bill 148 closed, the Marianas Variety featured Bill 148 in a front-page story on April 5, and Senator Rory J. Respicio penned a Marianas Variety column on this subject that appeared on May 9.

II. SUMMARY OF TESTIMONY

August 12, 2005

The **initial Public Hearing on Bill No. 148 (LS) was conducted on August 12, 2005.** The hearing was called to order at 9:30 Committee members present were Chairman Jesse A. Lujan, member senators Larry Kasperbauer and Rory Respicio, and non-member senators Bob Klitzkie, B.J.F. Cruz, Judi Won Pat, and Lou Leon Guerrero.

Appearing before the committee were Maria Connelley, Director of the Guam Department of Labor; Monte McDowell, Chairman of the Guam Chamber of Commerce; David Tydingco, President of the Guam Hotel & Restaurant Association; Bill Borja, Executive Director of The Employers Council; Matt Rector, President of the Guam Federation of Teachers; and Peter C. Mayer, economist, Mangilao Consulting; not appearing personally but **represented by written testimony** was Michael F. Phillips, Chairperson of the Democratic Party of Guam.

Maria Connelley appeared without a written position on Bill No. 148. She acknowledged the five questions put to her by the Chairman in his August 9 letter. She asked the Chairman for more time to assess in depth the impact of the proposal on combined household income,

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affecting quality of life and eligibility for participation in public assistance programs of Department of Labor, GHURA, GCC and DPHSS, and on senior citizens receiving retirement or Social Security. She cited experience with program participants refusing wage increases or benefits to avoid losing benefits, and stated that an interagency meeting on this subject was scheduled for August 18. The Chairman offered to provide an additional month, and agreed with the sponsor that the information should be publicly considered at another hearing.

In response to questions, Mrs. Connelley confirmed that the data collection phase of the Household Income and Expenditure Survey ("HIES") report was completed, and that the final report would be released August 23. From 2004 employment figures just compiled, of 56,000 persons in the workforce, 2,250 are teenagers, with another 600 participating in the summer employment program. She admitted that employment program applicants were not only teenagers, but persons in their 60's and 70's who work to make ends meet. She offered to provide a breakdown by age.

Monty McDowell read his testimony opposing Bill 148 into the record, which consisted primarily of a letter he previously addressed to the sponsor (attached). He cites the fragility of the tourism sector, minimum wage rates as a factor to be considered by prospective investors and as a floor for the entire wage structure, and expected shift from unskilled positions towards jobs requiring previous experience. He prefers wages to be driven upwards by labor scarcity rather than government policy, and awaits the next economic boom to provide this natural effect. He also cautions against cross-jurisdictional comparisons that fail to take into account comparative levels of community development. In closing, Mr. McDowell suggests paying the Earned Income Tax Credit (EITC) as an established governmental means to achieving the stated public policy objective.

In response to questions, Mr. McDowell stated that last minimum wage increase during the boom times of the 1990's, employers were not affected. He discussed at length the effective local wage floor, which has fallen from \$6.00 to \$5.15 over the past 15 years. If the minimum were raised now, all wages would rise. Increasing wages would be passed along to customers in higher prices, which would affect sales/contracts or be covered by decreasing other outlays, such as advertising and maintenance. In his own experience, he cited a 15% increase in offered wages from 1990 to 1997, and a 20% decrease from 1997 to present. The Chamber did/does not poll its members to collect hard data on wages, jobs and the potential impact of this bill. He contradicted Bill Borja's characterization of minimum wage workers, simply calling a minimum wage level appropriate for an unskilled worker of any age, to whom he extends the opportunity to work their way out of that wage level. He also disagreed with the Governor's announcement that the recession had ended, which should allow minimum wage increases similar to public employee increments. He agreed that increasing wages would raise the quality of life, until higher prices offset the improvements. The Chairman suggested that he convene a subcommittee to compile information and figures in support of his testimony that Senators in attendance requested.

David B. Tydingco appeared to oppose Bill 148. He called the current federally established minimum a necessary benchmark for unskilled, entry-level work, and cited the many occupations that pay higher than minimum. He cautioned against the impact an increase would have on

investments in tourism, and encouraged the sponsors to instead foster economic growth and development. He departed for a doctor's appointment before the question period started.

Bill Borja read his testimony in opposition to Bill 148 into the record. He characterized minimum wage jobs as "starter" jobs which are not – or should not – be the basis for supporting a family. He stated that raising the minimum wage would increase the cost of living and interfere with wage incentives for those above minimum wage. He further characterized the bill as a political "feel-good" appeal to voters, not sound economic policy. He closed by suggesting what the legislature's message to inexperienced workers should be. **In response to questioning**, Mr. Borja admitted that he had no data or survey of members to support his statement; same was requested by the sponsor (not received by the committee to date). He also supposed that elderly workers in minimum wage jobs were earning supplemental income, not covering basic living requirements. He tied quality of job applicants to wage levels offered above minimum. He also appeared to understand that increases would not impact wages paid to those slightly above the new minimum level.

Matt Rector appeared in favor of Bill 148 without written testimony. He noted the absence of minimum wage employees, who work two or three jobs to feed their families. He doubted anyone would appear for fear of offending employer. He cited the example of a job applicant at GFT who worked for four years without a raise above minimum wage to provide for six children. He said 50% of workforce qualifies for EITC, and decried the Qualifying Certificate program affording tax breaks to certain businesses. He said businesses should pay fair share of proceeds to workers in higher wages. His comments were the GFT's official position on Bill 148, and would submit a written statement (not received to date). Mr. Rector participated peripherally in discussions that followed.

Peter C. Mayer appeared in a private capacity in opposition to Bill 148. In oral testimony, he qualified his perspective as a consultant with a BA in economics from CalTech, and a Master's and Ph.D. from University of California at Berkeley, and former government economist. To him, Bill 148 identifies the problem of low wages but disagrees that increasing the minimum wage is the way to address it. He agrees with its sentiment, but not its method. He stated that raising the minimum wage would reduce employment, citing as examples local employment of laborers in construction and fast food workers. He challenged the Chamber of Commerce position of wanting the market to establish wage rates, by proposing that the Chamber call for the end of the H-2 program, and admonishing the Director of the Department of Labor to not certify applicants. He described the effect of the H-2 program as suppressing wages, as the schedule of H-2 prevailing wage rates are not market driven, but determined by previous approvals by government. He also suggested from personal experience that there is fraud in recruitment, unknown to the Director. Dr. Mayer forecast the next economic expansion could be based on wage increases if the market is allowed to operate. The last boom was driven by land sales. He addressed the departure of skilled labor from Guam (a "diaspora") to seek US wages, suggesting that flight of "bachelor's degree labor" be addressed by allowing wages to be market driven. The Chairman requested that any **written statement** reflecting his remarks be submitted by September 12 (**attached**, as received via e-mail on September 23).

In discussions that followed, Dr. Mayer participated centrally on the subject of establishing market driven wages, in context of federal minimum wages, government-determined prevailing wages of the H-2 program and indexed payment of increments on government workforce. Dr. Mayer defined a market driven wage is where seller of labor services and buyer of labor services agree. He explained that a price floor (such as minimum wage) will bring more applicants, but fewer people will be hired (with the same budget for unskilled employees). He stated that employers are the only entity qualified to set entry level wages, not economists. He stressed that an economy establishes and raises its own economy. The government plays an critical role in an economy to define the rules for transactions, such as to put in writing minimum working conditions, not wage rates. He recommended Dr. Roseanne Jones from the University of Guam to answer additional questions about the island's economy and living wage issues.

Michael F. Phillips submitted written testimony only, in support of Bill 148. He cited the public purpose for establishing a statutory minimum wage, and comparisons with other States. He described eligibility of 65% of Guam's workforce for EITC as a "widespread failure to provide adequate wages". He set current minimum wage levels in relief in terms of cost to provide for a typical family, increasing poverty rates and qualification for public assistance, and impact on other services as hospital care. He stated that current minimum wage levels keep people in poverty rather than raise them above poverty, as inflation-adjusted minimum wage is worth 26% less than in 1979; if wages were maintained as set in 1968, the current minimum would be \$8.88. He called for a higher minimum indexed for future inflation, and payment of EITC, to stay ahead of officially-calculated poverty level. A long-term solution includes cultivating industries requiring higher labor skills. The government is already involved in maintaining low wages in tourism by providing a social safety net in terms of welfare, subsidized health care, and food stamps. He mentions QC subsidies provided to these same employers, and suggests adjusting government policies to improve the quality of life for working poor, as a foundation for Guam's future as a society.

Related issues discussed in the course of this hearing were pay increments recently restored for 10,000 government employees; the number of persons in families on welfare; PL 26-111 requiring government of Guam contractors to pay employees at federal adverse wage rates and the Department of Labor's statement of effect of this policy; and whether the GFT or some other entity represents the working poor.

September 15, 2005

The **second Public Hearing on Bill No. 148 (LS)** was conducted on **September 15, 2005**. This was a continuation of the August 12 hearing. It was called to order at 11:32. Committee members present were Chairman Jesse A. Lujan, member senator Rory Respicio, and non-member senators Bob Klitzkie, B.J.F. Cruz, Frank Aguon, Jr. and Lou Leon Guerrero.

Appearing before the committee were Maria Connelley, Director of the Guam Department of Labor, accompanied by Gary Hiles, DoL Chief Economist; four other Department of Labor staff signed up to testify if called on but were not summoned to assist in the discussion. Testimony was received from the Acting Director of Public Health and Social Services, Arthur U. San Agustin.

In her written testimony dated September 13 (attached), **Director Connelley** addressed point-by-point the Chairman's questions to her in his correspondence of August 9. She displayed the occupational categories and numbers of workers likely to be affected by the proposed statutory change in minimum wage. From March 2004 data, she estimated that the first incremental step would directly affect positions occupied by 1,600 workers, plus another 5,580 workers whose salaries would be affected by employers seeking to maintain wage differentials for more experienced workers. The second proposed increment would affect 10,000 positions directly and another 4,000 indirectly. She clarifies the extent of teenagers occupying affected positions: only 2,250 teenagers in Guam's full-time workforce of 47,120 (4.8% of total) as of March 2004. The Director also stated that the proposed increase would not significantly increase the Department's administrative burden, and would reduce the number of participants that DoL could afford in its direct employment programs. The Department takes no position for or against the bill, while recognizing its effects.

The Director also distributed copies of the May 2004 State Occupational Employment and Wage Estimates, published on-line by the US Department of Labor, Bureau of Labor Statistics (current version for Guam data for May 2005 is available at http://www.bls.gov/oes/current/oes_gu.htm) (this is not the same as preliminary data published quarterly by Guam DoL as Current Employment Report, available online, latest release contains data for March 2006.)

In response to questioning, Mrs. Connelley limited her position to that of providing statistics to Legislature to make a decision. She cited Public Law 26-111 as Legislative policy on wages, to the extent that such policy impacts market wages generally. She admitted that if Bill 148 is passed in its current form, the wages of 14,000 workers, or 25% of the entire labor force, will be raised. This is her first experience with a minimum wage issue. With respect to federally funded employment programs paying minimum wage to participants, where local statutes raise the minimum above federal level, the local government must pay the difference.

In response to the Director of Labor's inquiry on the expected impacts of this proposal on residents currently participating in Food Stamp, MIP and other programs, the Acting **Director of Public Health and Social Services** generally noted offsetting effects of more income to reduction of benefits (attached). These effects were not quantified.

The Chairman inquired whether the Director of Labor's testimony was the result of the joint project with the University of Guam (**the HIES report**). Mr. Hiles, for the Department of Labor, responded that this was separate information, based on paycheck reporting; the HIES report is based on rounded annual income. When asked when the HIES report would be concluded, Mr. Hiles said the data collection was completed, and that he has no idea when the tabulation was done. The latest estimate for completion was late August. The Chairman expressed his interest in "the big picture", and asked him to keep the Committee informed.

The Director of Labor called on the department's **Chief Economist Gary Hiles** to elaborate on the Department's testimony. He explained the detailed tables of USDOL figures on Guam employment in May 2004. This is the first time these data have been available and used. He stressed that average wages per occupational category were not very useful; some occupations

have a "narrow distribution" revealed in the hourly percentile wage. (SEE Table 1 "Occupations with significant employment below \$5.75 per hour." and Table 2 "Occupations with significant employment below \$6.25 per hour." for detail in shaded areas.) The tables represent the expected effects of the increments as described in Bill 148. He said it is hard to see the exact effect, since some highly paid occupations have a few employees in lowest wage range, and some employees are paid very close to the proposed minimum target. The most dollar effect is on the bulk of the employees within the affected range further from the target. Hiles stated that while 55,800 is the total employment in May 2004, private sector employment is 42,500, and almost all the 10,000 - 14,000 affected wage earners proximate to the proposed target increase are private sector employees. He has not calculated the dollar estimate of the impact of the proposed raises. When pressed for an answer, he described the impact of Step 1 to be fairly moderate, and of Step 2 to be 20% of the average wage of \$11.03/hr. Pressed further to compare this proposal to the recent government increments in terms of impact per individual worker and average cost per worker, he deferred to compare, citing each occupation with a different increment amount, and more highly skilled government workers. Comparison could be made to last minimum wage hourly increase of about \$0.50. Wage scales have not moved for past ten years. When asked whether May 2004 data still holds up now, he replied that latest published data is from June 2005 (SEE Current Employment Report published quarterly by Guam Dept. of Labor. Latest available as of this writing is March 2006, released May 19, 2006).

Mr. Hiles continued by describing the step-by-step impact of a proposed minimum wage increase on an economy. He said that it is easier to raise the minimum wage when the economy is expanding, and that the "right time" is a political decision. The current job market is not expanding; the market is expanding with the existing labor force. Pressed further, He noted that tourism is expanding, but suffered two plunges after 9/11 and STY Pongsona. We are back to pre-9/11 levels but the increases are slow. Revenues have recovered but there is only a small impact on employment, since employers held onto their employees during the slump. New military investment is discussed but no change of spending has been seen. No confirmation of how much new economic activity or when. The economic trends are moderately up. Tourism is vulnerable to external shocks: airline scheduled, fuel prices, epidemic disease. When asked about the relationship between unemployment rate and wage levels, Hiles responded that empirical evidence shows numbers and dollars moving in different directions, despite expectations of textbook economics. There is currently a 7.4% unemployment rate, and a minimum wage increase would cause both immediate and other adjustments. When asked about whether the recession is over, he states that by the definition of recession, Guam's economy is expanding by all indicators (GRT, employment, other revenue), but people are not as well off.

Senators in attendance made several observations, and noted economic relationships of concern to them: previous testimony characterizing minimum wage workers as irresponsible teenagers is misleading; 8,000 to 10,000 adult workers supporting families would be affected by Bill 148; official unemployment figures are understated by people dropping out of job seeking (higher minimum wages will increase number of people seeking jobs, and thus cause apparent increase in unemployment rate); whether a new hotel investor would raise wages to keep experienced employees who are faced with the rising cost of living; which economic indicators show the "right time" to increase the minimum wage; whether raising minimum wage in response to higher cost of living causes further inflation; beneficial economic activity from

minimum wage increases; the political genesis of all statutory minimum wages; comparison of legislative decision to appropriate government worker increments to minimum wage decision; Congressional attempts to raise the federal minimum wage; enforcement of PL 26-111 wage levels for government contractors.

In closing, the **Chairman** expressed his continuing interest in the HIES report, and called for the Department of Labor to produce the report as soon as it is released. He wanted hard statistical data showing economic trends. He also asked senators to provide copies of information they receive to the Committee, so it has all available data on which to base its recommendation. He announced that the Committee would continue this hearing at a later date, and invited further comment from the public. The hearing **adjourned** at 12:40 p.m.

April 4, 2006

The **third Public Hearing on Bill No. 148 (LS)** was conducted on **April 4, 2006**. An announced continuation of the September 15, 2005 hearing, the purpose of this hearing was to receive the latest household employment and income information from the Department of Labor. It was called to order at 12:05 PM. Committee members present were Chairman Jesse A. Lujan, and non-member senators Bob Klitzkie and B.J.F. Cruz.

Appearing before the committee were Maria Connelley, Director of the Guam Department of Labor, accompanied by Gary Hiles, DoL Chief Economist, and Gregory D. Perez, representing himself as a private businessman.

Director Connelley presented "Final Report: Selection of an item Sample for the Revised Consumer Price Index Guam (based on the April 1 – August 31, 2005 Household Income and Expenditure Survey)" prepared by Brian Hannon, Survey Statistics Consultant, dated March 2006. **In response to questioning, Director Connelley** stated that she was not an expert on this (HIES) subject; that the US Department of the Interior ("Interior") concern was the quality of data generated in insular areas, particularly towards a Gross Domestic Product calculation. The HIES report was funded by Interior, not local appropriations. The Bureau of Statistics and Plans took the local lead, and the University of Guam received federal funding. Guam DoL submitted questions, helped UOG with survey personnel and house maps for the survey. The US Bureau of the Census helped with the data results (hence the report). The HIES report was provided to her in March.

Mrs. Connelley took no official position on Bill 148. She stated that she was personally not for the increase, for the sake of people without work experience that the bill is trying to help. The Administration has no position on this Bill. Her department does not receive complaints about low pay, but about PL 26-111 violations. Subcontractors need to comply. There is a need to educate government agencies on this as well. She suggested the Guam Contractors Association to estimate labor needs of jobs. Mrs. Connelley cited comparisons with other States, with 27 states adopting the federal minimum, 4 states by statute, lower than federal (but required to meet the federal minimum wage), and 19 states setting higher than the federal minimum. She advocated following US Department of Labor Wage & Hour guidelines, honoring the prevailing wage schedule and PL 26-111, and promoting more service industry employment. She agreed

with the observation that raising the minimum wage would impact wage rates below those set by the US DoL ("Adverse effect") and adopted via PL 26-111 to be paid to contracted employees providing services to the government of Guam. Her department does not track workers and progress of wages over time. She offered the sponsor a copy of the latest consumer price index.

Greg Perez suggested spending the suggested increase in hourly wage on employee training instead. \$0.50 per hour increase would cost employers \$1,040 per employee annually. Rather, start trades employees at a 60% of the cost of a fully-trained employee, and allow them to work their way into higher wage brackets. He considered the proposed increase in minimum wage as mutually exclusive of increased employer spending on employee training. He agreed with the assertion that unskilled workers serve a social function, and sought ways to encourage untrained workers to seek training.

The **bill's sponsor** expected the HIES study to provide a comparative study. He asked the Director of Labor to provide a typical market basket: rice, milk, Spam, day care, Pampers, formula, soap, health insurance, hospital bed/day, power/water, and compared the proposed \$0.50 per hour increase with the recent increments paid to government workers. He characterized the \$0.50 increase as a \$20 per week raise.

Chairman Lujan expressed his dismay with the HIES report, which refers to the technical process to revise the consumer price index in the future, rather than producing a revised index for public use. He noted the purpose for this hearing, and the interest the Committee had expressed in this report since the first hearing in August 2005. He acknowledged the patience of committee members awaiting detailed information, in particular the final HIES report. He wondered aloud why economists did not come to same conclusion as the key official administering labor policy and programs of the government. The Committee has heard conflicting testimony on economic improvement and whether the time is right for wage increases. He noted recent economic development initiatives in military infrastructure buildup and apprenticeships, and price increases for fuel. Chairman Lujan concluded by announcing that available economic indicators have been heard, and that now is time for action on the bill.

Bill Referral for 06/10/05

Bill	Sponsor	Description	Date Introduced	Date Referred	Committee Referred
147(LS)	F. B Aguon, Jr.	Restricting sale of GovGuam real property (Tumon) - Guma Trankilidat	6/08/05	06/10/05	General & Omnibus Matters
148(LS)	B. J.F. Cruz	Raising minimum wage	6/08/05	06/10/05	Aviation, Immigration, Labor & Housing

Received: 6/8/05 – 10:18 a.m.

Bill No. 147 (LS) – by F. B. Aguon, Jr., A. B. Palacios

AN ACT RELATIVE TO RESTRICTING ANY SALE OF THE GOVERNMENT OF GUAM REAL PROPERTY IDENTIFIED AS LOT NO. 5140-1-1 AND LOT NO. 5140-1-R1, BOTH LOCATED IN THE MUNICIPALITY OF DEDEDO, GUAM (aka TUMON, GUAM) UPON WHICH GUMA TRANKILIDAT IS LOCATED; FURTHER INSURING THAT THE PROPERTY REMAIN WITH THE PEOPLE OF GUAM FOR THE BENEFIT OF OUR ISLAND'S MANAMKOS, SENIOR CITIZENS; AND DESIGNATING SAID PROPERTY AS "I TANO PARA I MANAMKO GUAHAN".

Received: 6/8/05 – 11:10 a.m.

Bill No. 148 (LS) – by B. J.F. Cruz, R. J. Respicio, F. B. Aguon, Jr., A. B. Palacios, J. T. Won Pat, L. A. Leon Guerrero

AN ACT TO REPEAL AND REENACT SECTION 3105 OF TITLE 22 OF THE GUAM CODE ANNOTATED, RELATIVE TO RAISING THE MINIMUM WAGE TO FIVE DOLLARS AND SEVENTY-FIVE CENTS PER HOUR BY JANUARY 1, 2006 AND SIX DOLLARS AND TWENTY TWENTY-FIVE CENTS PER HOUR BY JANUARY 1, 2007



COPY

Senator Jesse Anderson Lujan

Chairman, Committee on Aviation, Immigration, Labor and Housing

August 9, 2005

Ms. Maria S. Connelley, Director
Department of Labor
GCIC Building
414 W. Soledad Avenue
Hagåtña, Guam 96910

RECEIVED
DATE: 8-9-05 (DA)
LABOR

Dear Madame Director:

The Committee on Aviation, Immigration, Labor and Housing will be conducting a Public Hearing on **Bill No. 148** on Friday, **August 12, 2005**, starting at 9:00 A.M.. A copy is enclosed for your ready reference. Bill No. 148 proposes to raise the statutory minimum wage on Guam by one dollar per hour by January 1, 2007. You are hereby invited to appear and offer testimony that will assist the Committee to formulate its recommendations to the entire Legislature on this matter.

Due to the complexity of the subject matter, I will accept testimony subsequent to the hearing, and may schedule additional public forums or discussions as needed to accommodate all interested and affected parties.

From the perspective of the Guam Department of Labor, I am interested in the following:

1. Describe the total numbers, demographic profiles and primary occupations of minimum wage earners, and those workers who would also be affected by an increase in the minimum wage.
2. In the enforcement of minimum wage laws, describe complaints and problems that are addressed.
3. How would an increase in minimum wage affect beneficiaries of your department's programs?
4. How would an increase in the minimum wage law affect the administration of your department's programs?
5. Articulate the position of the Department of Labor on the proposed increase in minimum wage, in terms of the Department's mandated mission, as stated in Public Law 26-62.

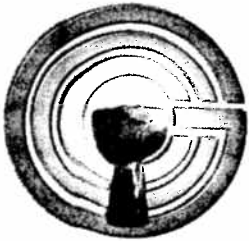
Thank you very much for your assistance. I look forward to your response.

Sincerely,


JESSE ANDERSON LUJAN

5/8/05

Enclosure



GUAM CHAMBER OF COMMERCE
PARTNERS IN PROGRESS

August 12, 2005

SENATOR JESSE A. LUJAN
Chairman
Committee on Aviation, Immigration, Labor & Housing
Mina' Bente Ocho Na Liheslaturan Guahan
155 Hesler Place
Hagåtña, Guam 96910

RE: BILL NO. 148 - PROPOSED MINIMUM WAGE INCREASE

Hafa Adai Senator Lujan:

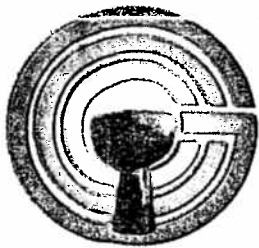
On behalf of the Board of Directors of the Guam Chamber of Commerce, I would like to thank you for the opportunity to submit testimony on Bill No. 148 proposing to raise the minimum wage on Guam. I am transmitting for the record, a copy of our June 29, 2005 letter to the bill's author, Senator Benjamin J.F. Cruz, which states our position against the proposed increase.

We appreciate your consideration of our organization's thoughts on this important issue.

Senseramente,

MONTY A. McDOWELL
Chairman of the Board

Attachment



GUAM CHAMBER OF COMMERCE
PARTNERS IN PROGRESS

June 29, 2005

SENATOR BENJAMIN J.F. CRUZ
Twenty-Eighth Guam Legislature
139 Murray Blvd
Pan American Building, Suite 100
Hagatna, Guam 96910

RE: Proposed Increase in the Minimum Wage

Hafa Adai Senator Cruz:

The Guam Chamber of Commerce acknowledges receipt of your June 8th letter, along with legislation proposing to raise Guam's minimum wage rate. We appreciate your consideration of our organization's thoughts on important community issues and desire to keep this kind of dialogue open. We write to provide you with our initial comments on the proposed increase.

Guam's economy is still very fragile. If arrivals increase 6% this year, hotels will still only be operating at occupancy levels of 65% across the board. Room rates are still well below \$110, which used to be closer to \$130 island wide a number of years ago. This is insufficient to finance badly needed renovations and upgrades of existing hotels. In addition, average expenditure on island by our visitors has severely declined which impacts restaurants, concessionaire's income and other hotel revenues.

In spite of this fragile economic condition, when distressed properties come on the market, new investors have come into the market place and have given assurances to spend money for renovation. This will hopefully result in major improvements to some. A minimum wage increase changes proformas and may possibly have investors reconsider many of their decisions in regard to planned renovations. This would be a double blow to our economy, fewer dollars invested and much needed product improvement delayed or foregone.

Many of our members only hire experienced employees so they pay above minimum wage. But other employers start non-skilled entry-level employees at minimum wage until such time they acquire sufficient skills and are able to handle responsibility, at which time they get raises. The current minimum wage offers certain employees the opportunity to learn and show their desire to be productive.

The proposed minimum wage increase would eliminate many all-important first jobs for teenagers and others, which are predominantly of the low-skill, entry-level variety in our service industries, such as fast food shops and retail stores. We fear that rather than raising the standard of living for teenagers and other target groups, the legislation proposing the minimum wage increase would eliminate existing jobs simply because it would become more economical for employers to hire skilled as opposed to unskilled workers or to eliminate the job through automation. How will our teenagers get experience and opportunity if they can't find entry-level positions?

Please understand that all wages are based on a floor, i.e., the minimum wage. If the minimum wage increases, then all wages increase approximately the same amount, thus it raises cost of employment for everyone.

Since many businesses are continuing to suffer they may not be able to raise their prices so their employees can be provided the raises. If the raises are not market driven, they may be forced into another round of "layoffs" to survive; we believe this is the opposite of the intention with regards to raising the minimum wage. Increasing minimum wage in this economy will certainly result in job losses, the cost of which may well offset any gains by those earning a bit more. More people will then become eligible for various welfare programs, which will put further pressure on the Government's coffers.

Tax revenues will also be impacted. Payroll taxes may increase marginally, but income taxes and GRT will certainly be reduced by the slowdown in the economy.


It is the Chamber's goal that every employee in our community receives greater monetary compensation for their efforts but real increases can only come from economic expansion. The Chamber is optimistic that things will improve, especially with the indications that the Department of Defense may forward deploy more assets to Guam. Even when our economy is truly out of the recession and we have definitive proof of a growing economy, we should continue to let the marketplace dictate wages and salaries paid. When the economy is strong, the shortage of workers will drive all wages higher because there will be more capital circulating that can pay a higher price for labor. Today there is a dearth of capital and rather than increase tax revenues this increase would reduce them.

We recommend caution when comparing Hawaii's standard of living to Guam's. Unlike Guam, the State of Hawaii is highly developed, it provides its citizens with purified drinking water from every tap, countless parks and recreation facilities which have clean bathrooms and other amenities, a cultural center, museum and many other services not available here. And at this point in time, everyone has a job – there is no unemployment for those who wish to work and are employable.

In closing, we would like to emphasize that payment of the Earned Income Tax Credit would be the best way to benefit the lower income people – it precisely rewards those who are of lower income without impacting the entire workforce. And when there is a dip in the economy, less people will be laid off because the price of labor is not set arbitrarily high. The minimum wage is a price – a price for labor – and when prices go up for production, so do retail prices. If the minimum wage is raised it will roll upwards for all employees and the only thing that will happen is that prices will increase and the same people it purports to help will be hurt – they will be right back where they started. Actually as a group they will be worse off because some won't be able to produce at the new price for labor and won't be able to get a job.

These are just the initial comments from the Guam Chamber of Commerce and if desired, we are willing to meet with you for further discussions.

Senseramente,



MONTY A. MCDOWELL

Chairman

Guam Chamber of Commerce

Darryl Taggerty

From: Peter C. Mayer [pcmayer@eccomm.com]
Sent: Friday, September 23, 2005 12:06 PM
To: jal@netpci.com
Subject: Minimum Wage

Dear Senator Lujan:

Attached is my statement about the minimum wage.

Sincerely yours,

Peter C. Mayer, Ph.D
P. O. Box 25921
GMF, Guam 96921
U. S. A.

Phone: 1 (671) 734-7537
E-mail: pcmayer@eccomm.com

PETER C. MAYER, Ph. D.
P. O. Box 25921
GMF, GUAM 96921-5921
U. S. A

PHONE: 1 (671) 734-7537
E-MAIL: pcmayer@eccomm.com

September 22, 2005

Minimum Wage Law

A minimum wage law is not the way to assist with the legitimate concern for the working poor. Raising the minimum wage will make it much more difficult for marginal workers to raise their status by acquiring employment experience. The Federal guest worker program—the H-2 worker program—exists purely at the bequest of the Guam Government. Eliminating H-2 workers will open opportunities, if not for the low-waged labor, for their children and reduce the out-migration of native sons. Although not covered in this paper, note that a quality public school system goes a long way to raise the status of the children of low-waged labor.

Minimum Wage and Unemployment

The minimum wage is a price-floor and what was taught in Principles of Economics of the effects of a price-floor is valid. If the price is set above the equilibrium price, a surplus is produced; that is, the quantity offered in the market is greater than the quantity purchased. In the labor market this surplus is called unemployment, more workers are seeking work than jobs available. Instead of hiring low-skilled inexperienced labor more experienced labor may be substituted. As examples,

experienced waiters or waitresses do more of the work of the busboy or the craftsmen on at construction sites more often carry tools and materials if common labor is more expensive. Also, at times, consumers do without, such as pumping their own gas rather than using an attendant.

Entry Level Labor

Entry-level jobs are critical for developing work habits. Denying such jobs is denying the experience of developing work habits, which is detrimental for the whole lifetime of work. Entry-level employees include teenagers and rural labor migrants, particularly from the FSM.

Without thorough training, indifference toward meeting a schedule and indifference to honoring a commitment to work is common among rural laborers. Companies that provide intensive training before actual employment or as part of early employment gladly open assembly lines using rural labor. The training includes such basic skills such as how to use an alarm clock and indoctrination that the employment commitment includes coming to work even if the worker would prefer to build a wall for his patio that day.

For example, through the mid 1970's, what was called "Guamanian labor" had rural attitudes. Guam's Navy Ship Repair Facility with the training program had the best workers of any Navy Ship Repair Facility. Firms that could not provide such training, however, had to deal with workers, for a long time, perpetually arriving late and not going to work because of home projects. I am sure that the Palace Hotel, which

recruited workers from the FSM and the Marshall Islands and trained them before opening the Hotel, acquired an excellent labor force. Other firms that are unable to provide intensive training need to deal with a long period of inappropriate behavior among many of those hired with rural attitudes.

Wages for Non-entry Level Workers

There is a valid concern for the wages of non-entry level workers on Guam. The use of nonresident alien labor under the H-2 program represses wages on Guam, discouraging training and encouraging those so trained to leave. It prevents free market determination of wages and the integration of Guam into the U.S. labor market. Although a Federal program, the existence of the H-2 program on Guam is at the behest of the local government.

The wages in construction paid H-2 labor are determined by periodic prevailing wage surveys for Guam. Given the prominence of H-2 labor in the survey, any survey for H-2 wage determination is a Catch 22. The prevailing wage is essentially determined by the existing H-2 wage. The prevailing wage will not adjust to or be influenced by local conditions. The prevailing wage is determined by past prevailing wage choices. With H-2 labor, there is not a free labor market.

Before hiring under the H-2 program, there must be a local announcement of the opening. The local advertisements are often fraudulent. For positions where there have not been formal wage surveys, say for an economist or scuba diving instructor, the wage advertised is unreasonably low. For a scuba-diving instructor, an obscure

certification was required in one advertisement, not a certification from one of the two major scuba-diving instructional agencies. Such fraud is inevitable. One cannot expect the Guam Department of Labor, which administers the program, to know what is a reasonable wage and acceptable certification requirements for all positions. Often there is no intention to hire locally with all local applicants being rejected. Reportedly, rejected qualified local applicants rarely protest. True, if they do, the protest may lead to the application to hire H-2 labor being denied.

There was a recent report of a large contingent of H-2 laborers not being paid for more than three months. Given possible and actual credible threats of arranging deportation and otherwise harming the H-2 workers by their employers, such human rights abuses are inevitable. Having institutions that make such abuses inevitable is not only immoral but also mean that resident labor must compete with intimidated labor.

"Oh There Is No Labor"

I guarantee that there will be cries of "we cannot find employees for our openings." All skills are available in Guam's diaspora. One needs to pay reasonable wages to bring the sons and daughters home. Without H-2 labor, the next economic expansion will result in rising wages, rather than rising land prices.



GUAM HOTEL & RESTAURANT ASSOCIATION

SUITE 101, 643 CHALAN SAN ANTONIO • TAMUNING, GUAM 96913
P.O. BOX 8565 • TAMUNING, GUAM 96931
TEL: (671) 649-1447 • FAX: (671) 649-8565
E-Mail: ghra@ghra.org • Website: www.ghra.org

August 12, 2005

Honorable Jesse A. Lujan
Chairman
Committee on Aviation, Immigration, Labor & Housing
Mina' Bente Ocho Na Liheslaturan Guahan
155 Hesler Place
Hagatna, Guam 96910

Re: Bill No. 148 – Proposed Minimum Wage Increase

Hafa Adai Mr. Chairman, Members of the Committee:

My name is David Tydingco, President of the Guam Hotel & Restaurant Association and on behalf its board of directors and membership, I want to thank the Committee for the opportunity to testify on Bill No. 148. At a recent meeting, the GHRA Board reviewed the contents of Bill No. 148 and I am here to present testimony opposing its passage, the Proposed Minimum Wage Increase.

The GHRA Board of Directors and members believe that adequate compensation for Guam's labor force should be provided. Recent wage and benefits survey conducted by the industry have noted that the vast majority of workers are being paid above the currently mandated Federal minimum wage as well as what is being contemplated in Bill No. 148.

The minimum wage standard mandated by federal law provides a benchmark for those with little to no skills to enter the workforce in order to be trained, developed, and take on additional responsibilities that will allow them growth and upward mobility in their particular trade. We believe that the current benchmark is quite necessary in what we have scene as a very difficult economic environment.

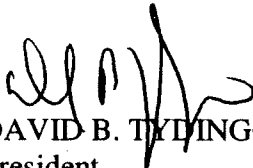
Presently, Guam's hotel occupancy is running an average of 62% year-to-date, and many hospitality related industries continue to struggle to survive in the midst of years of economic hardship. It should be clear to policymakers that the recent sale of many hotels is an indication of previous investors looking to mitigate losses from their initial investment with new investors purchasing assets at almost \$0.30 to \$1.00. These new investors have come to Guam assuming that they will continue to operate in a supportive business climate that will assist them in growing Guam's economy and workforce.

It is the board's position that the authors of these types of legislation could be more productive and serve the interests of all of Guam's community by focusing legislation that would foster economic growth and development, which in turn, will provide for greater prosperity for our people.

With economic prosperity, the free market will establish the benchmarks that will undoubtedly provide adequate compensation for all those who support the growth and development of our economy.

We thank you for the opportunity to provide testimony on this issue.

Senseramente,



DAVID B. TYDINGCO
President

THE EMPLOYERS COUNCIL

718 N. Marine Corps Drive
Suite 201 East-West Business Center
Upper Tumon, Guam 96913

TESTIMONY ON BILL 148 (EC)

My name is Bill Borja and I am Executive Director of The Employers Council, a private, non-profit employers association established in Guam in 1966. This testimony responds to an invitation from the Office of Senator Adolpho B. Palacios, Sr.

Mr. Chairman and members of the Committee:

On behalf of the Officers, Board of Directors and members of the Employers Council, we oppose a proposed increase the statutory minimum wage for several reasons.

First, the authors and co-sponsors of Bill 148 incorrectly assume that most people who earn \$5.15 an hour are supporting entire families.

Second, an increase in the minimum wage will needlessly add to the cost of all goods and services for all of us -- wealthy, middle-class and the poor alike.

"So-called" minimum wage jobs are "starter" jobs in which new people joining the workforce learn the basics of working for a living.

Most minimum-wage earners are teens, students or young adults living with parents. They do not have families to support. No responsible person can or should try to educate, feed, clothe and shelter a family on \$5.15 per hour.

Increases in minimum wage laws hurt the young, the inexperienced, the under-educated and the poor by reducing the number of entry-level jobs available.

Increasing the minimum wage does nothing for people whose pay is well above the wage floor. The morale and earnings-growth of that segment of the workforce is threatened when politicians decide that employees at the bottom of the pay scale should get a raise.

When the minimum wage goes up, employers are confronted with two choices: (1) pay their unskilled, inexperienced employees with dollars that should go to their experienced, better-educated, more productive employees -- or (2) eliminate starter jobs.

Pricing people out of the workforce will only aggravate the conditions that make people poor...and keep them that way.

You may ask, "Why is business opposed to increased fees and 'social-engineering' legislation? Why shouldn't the business community support these ideas?"

The answer is simple: Because these ideas are not based on sound economic policy. These measures are political moves aimed at making voters "feel good".

This kind of law-making sends the wrong message to everyone. The message that our law makers should send to Guam's young people should be this: *stay in school, get an education, learn some skills, get some experience and don't start a family until your time is worth more than \$5.15 an hour!*

Thank you very much for your attention.

DEMOCRATIC PARTY OF GUAM

The Working People!

POB 2344 Hagåtña, GU 96910

August 12, 2005

Michael F. Phillips, Esq
Chair

Isabel D.S.A. Lujan
Vice-Chair

Catrina M.T.Cruz
Secretary

Theresa C. Arriola
Treasurer

Hon. Benjamin J.F. Cruz
National
Committeeman

Taling M. Taitano
National
Committeewoman

Joshua F. Tenorio
Executive Director

Honorable Jesse Lujan, Chair
Committee on Aviation Labor Immigration and Housing
655 S. Marine Corps Drive
Tamuning, Guam 96913

Re: Democratic Party of Guam Position on Bill No. 148 (Raising the Minimum Wage)

Buenas!

Mr. Chairman, Senator Lujan and Members of the Committee, thank you for providing this opportunity to present the position of the Democratic Party of Guam on Bill No. 148, An Act to Raise the Minimum Wage on Guam. The Democratic Party of Guam supports the Legislature's efforts to raise the minimum wage.

Communities establish Minimum Wage laws to provide workers with decent minimum standards and fairness in the workplace. A decent minimum wage benefits business by ensuring companies compete based upon the quality of their goods and services and not on low prices resulting primarily from low paid workers. Successful businesses--large and small--have shown good wages are good business. Higher wages reduce turnover, improve productivity and increase purchasing power. By determining the minimum value of one hour of work, we not only establish a measure of the individual's contribution but also define his worth to society.

Is \$5.15 an acceptable Minimum Wage on Guam? Workers in Washington, Oregon, Connecticut and Alaska enjoy minimum wage rates exceeding \$7.00 per hour. California, Hawaii, Illinois, Delaware, Rhode Island, New York, Massachusetts, Vermont, Maine, and the District of Columbia all provide minimum wages above \$6.00. On average, Guam workers suffer from some of the lowest wages in the United States. With one of the highest costs of living in the country, the disparity between wages and costs of living becomes alarming.

The average wage in Hawaii is approximately one-third higher than on Guam. In California, wages are even higher with the mean nearly \$41,000 per year. Hotel clerks on Guam average between \$7.00 and \$8.00 per hour.

Michael F. Phillips, Esq
Chair

Isabel D.S.A. Lujan
Vice-Chair

Chris M. Duenas
Secretary

Theresa C. Arriola
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Hon. Benjamin J.F. Cruz
National
Committeeman

Taling M. Taitano
National
Committeewoman

Joshua F. Tenorio
Executive Director

The same jobs in California pay between \$9.50 and \$10.00 per hour with Hawaii almost doubling Guam salaries while paying hotel clerks between \$13.50 and \$14.50 an hour.

The average carpenter earns a salary of almost \$50,000 in Hawaii, \$45,000 in California, and only \$26,000 on Guam. Waiters and waitresses in Hawaii earn approximately \$23,000 while their Guam counterparts average \$13,000 per year. The widespread failure to provide adequate wages is demonstrated by approximately 65% of all workers on Guam qualifying for worker subsidies under the Earned Income Tax Credit.

The very high cost of living on Guam requires a couple with two children to work a combined four full-time minimum wage jobs to make ends meet. In one workweek alone this would be 160 hours of work. This is not reasonable and should be unacceptable in a just society. Because the working poor spend everything they earn, every penny of a minimum-wage increase goes back into the economy, increasing consumer demand and adding jobs. Most employers actually gain; absorbing the increase through decreased absenteeism, lower recruiting and training costs, higher productivity and increased worker loyalty and morale.

The last Census confirmed poverty is one of the major economic problems on Guam. The total number of people living in poverty reached 34,792 or 22.5% of the population according to the 2000 US Census, a drastic increase over the 14% reported in 1990. The devastating effects to the economy included an unemployment rate of 13.5%, the distribution of \$35.9 million in food stamps, \$16.4 million in housing assistance with an 88% increase in welfare recipients.

The shortfall between pay in the low-wage sector and the cost of basic family needs creates important policy implications. The low wages and high cost of living create family budgets not sufficient to meet even their basic needs. When workers receive so little in wages that they are unable to meet the minimum threshold required to pay taxes, these workers and their families are also unable to afford hospital bills, and rely further upon government subsidies in other areas including simple food and shelter. Society fails when a worker serves an employer over two thousand hours per year and yet cannot independently afford even minimal food and housing.

Every job should provide a meaningful opportunity to make a living from work. A job should keep you out of poverty, not keep you impoverished. For Guam's lower end workers and their families this is not the case. Even the more favorable mainland statistics demonstrate the inflation-adjusted value of the minimum wage is 26 percent lower today than it was in 1979 and

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Joshua F. Tenorio
Executive Director

in real dollars, \$5.15 an hour minimum wage is worth just \$4.42. If minimum wages had kept pace with inflation since 1968 when set at \$1.60 an hour, the Federal minimum wage would be \$8.88 an hour in 2005, and the Guam minimum wage would be even higher.

The minimum wage can and should be increased to between \$7.50 and \$8.50 an hour indexed to inflation. In addition, the Government of Guam should pay the Earned Income Tax Credit annually. This wage subsidy can add as much as \$4,000 to the annual income of low-income families. To assure all working families meet their basic needs, we need to further supplement a higher minimum wage with improved child care, health care, Earned Income Tax Credits, and pension benefits.

The long-term solution requires an economy offering higher-quality jobs with compensation levels lifting working families to the needed income level. An economy based almost exclusively on an econo-tourism-service industry will never support a high quality of life. Diversifying tourism may contribute marginal increases in the government tax base, but the added cost of servicing the greater number of tourists needed to sufficiently fund government services and programs at even minimum levels remains prohibitive. Many of Guam's largest tourism participants remain union free and therefore experience lower labor costs. At the same time, a number of these same businesses continue to benefit from Qualifying Tax Certificates providing extensive financial breaks. Both business and labor must work to ensure a more realistic minimum wage.

A meaningful minimum wage and payment of the EITC would work together to increase wages for the working poor and their family income. The effectiveness of the EITC in raising the incomes of the working poor above the poverty line therefore depends, in part, on regular increases in the minimum wage. This is because the EITC and the poverty threshold both rise each year to reflect increases in the cost of living, but the minimum wage does not. The EITC alone is not enough to keep a family above the poverty line, and a minimum wage worker gets further away from the poverty line each year the minimum wage is not increased.

Increased minimum wages raise earnings of all low-income workers, not just those below the poverty line. As long as we choose to rely upon the low paying econo-tourism-service industry to serve as the base of our economy, we have a moral obligation to raise the floor to a level where all workers earn enough from their contribution to adequately support themselves and families.

Michael F. Phillips, Esq
Chair

Isabel D.S.A. Lujan
Vice-Chair

Chris M. Duenas
Secretary

Theresa C. Arriola
Treasurer

Hon. Benjamin J.F. Cruz
National
Committeeman

Taling M. Taitano
National
Committeewoman

Joshua F. Tenorio
Executive Director

There are a few in the business sector who claim a decent minimum wage is actually bad for the economy. The "mantra" is "keep government out of the private sector." Yet, these same businesses could not operate if Guam Memorial Hospital did not treat their workers, if Guam Housing and Urban Renewal did not house their workers, if Public Health did not provide their workers with food stamps and child care, and if the Department of Education did not educate their employees' children. In summary, if the Government of Guam did not step in to supplement the income and living essentials of private sector employees on Guam, many businesses would fail. In addition to the millions in government funds handed to big businesses on Guam through the Qualifying Tax Certificate Programs, the Chamber of Commerce still receives as much government assistance through welfare programs as do the working poor. Considering the enormous amount of subsidies received by the business community, it is only fair these same businesses unite with the rest of the island to ensure a minimum living wage and quality of life for all workers. Even Republican President Theodore Roosevelt proclaimed, "A man of great wealth owes a peculiar obligation to the state because he derives special advantages from the mere existence of government."

Determining a fair and just minimum wage should not be left to one small segment of the community. The Guam Legislature should thoroughly investigate calculate, and publish the minimum salaries local workers require to exist on Guam. Our quality of life depends upon local leaders rising to represent workers and their families; those least able to stand up to business organizations. Guam can never compete with neighboring sweatshops and the cheap labor available in regional third world countries. Guam can compete in world markets if we have an island united behind one goal to raise the quality of life for everyone here, starting with our working poor. When we build from the ground up, we lay a solid foundation for true development. Raising the minimum wage is one sure step towards building a more just society.

Please contact me anytime should you have questions or wish to further discuss Bill No. 148. Thank you for your time and attention.

Si Yu'os Ma'ase',


Michael F. Phillips, Chairperson
DEMOCRATIC PARTY OF GUAM

“Got Data?”

The 2005 Guam Household Income & Expenditures Survey Underway

Peter Barcinas, UOG Cooperative Extension Service,
Economic and Community Systems Program Leader

Have your spending habits changed? When was the last time you bought a new car or a new washing machine? At the grocery store, which items stay in your cart and which ones can you do without? A random sample of 2,000 households will provide answers to these questions and others as part of the 2005 Guam Household Income and Expenditures Survey (HIES).

This survey is important because it focuses on household income and expenditures and serves as one of the most useful measures of social-economic activity. Statistics drawn from the HIES will help Guam residents directly by showing changing costs in the various areas of their lives through the revised market basket used for the Consumer Price Index. The survey will look at costs for food, housing, schooling, recreation and travel as well as income to expenses.

The survey results give characteristics of the employed and the unemployed, as well as information about ethnic composition, language use, school attendance and education, the jobs people have, their housing conditions, and the relationship between average income people make compared to what they can buy. The survey plays a major part in the compilation of Guam's Gross Island Product as part of the National Income and Product Accounts.



Survey results will also be used to:

- Provide basic data for policy making in connection to economic planning and to analyze variations in levels of living and disparities among households in the different socio-economic groups, rural and urban areas;
- Meet the challenges of the future by showing changes in our local population, labor force, and other aspects of our community;
- Assist in distributing federal and local funds for education, housing, health services, transportation planning, job training, public works and other important programs.
- Data drawn from the HIES may also be used to help analyze the need for revision of minimum wages and related questions about wage determination.

For economic development, both government planners (HIES will provide baseline data for