

I Mina'trentai Siette Na Lihelaturan Guåhan
BILL STATUS

BILL NO.	SPONSOR	TITLE	DATE INTRODUCED	DATE REFERRED	CMTE REFERRED	FISCAL NOTES	PUBLIC HEARING DATE	DATE COMMITTEE REPORT FILED	NOTES
371-37 (COR)	Joe S. San Agustin Roy A. B. Quinata Dwayne T.D. San Nicolas William A. Parkinson Thomas J. Fisher	AN ACT TO ADD A NEW § 3122 TO ARTICLE 1, CHAPTER 3, TITLE 22, GUAM CODE ANNOTATED RELATIVE TO ENHANCING THE LOCAL MINIMUM WAGE OF GUAM.	10/29/24 8:00 a.m.	10/30/24	Committee on Environment, Revenue and Taxation, Labor, Procurement, and Statistics, Research, and Planning	Request: 10/30/24 11/8/24			



COMMITTEE ON RULES

Senator Chris Barnett, Chairperson
I Mina'trentai Siette Na Liheslaturan Guåhan
37th Guam Legislature

November 8, 2024

To: **Joaquin P. Taitague**
Clerk of the Legislature

From: **Senator Chris Barnett** *DCB*
Chairperson, Committee on Rules

Subject: **Fiscal Note for Bill No. 371-37 (COR)**

Håfa Adai yan Biba Guåhan!

Find the attached, Fiscal Note for the following bill:

Bill No. 371-37 (COR).

I also request that the same be sent to the respective Chairperson of the Standing Committee, to which this bill has been referred. Kindly forward the same to Management Information Services (MIS) for posting on our website.



**Bureau of Budget & Management Research
Fiscal Note of Bill No. 371-37 (COR)**

AN ACT TO ADD A NEW § 3122 TO ARTICLE 1, CHAPTER 3, TITLE 22, GUAM CODE ANNOTATED RELATIVE TO ENHANCING THE LOCAL MINIMUM WAGE OF GUAM.

Department/Agency Appropriation Information	
Dept./Agency Affected: Department of Labor (DOL)	Dept./Agency Head: David Dell'Isola, Director DOL
Department's General Fund (GF) appropriation(s) to date: Operations-\$181,770, and Workers Compensation Fund - \$400,000	\$581,770
Department's Other Fund (Specify) appropriation(s) to date: Manpower Development Fund	\$3,687,480
Total Department/Agency Appropriation(s) to date:	\$4,269,250

Department/Agency Appropriation Information	
Dept./Agency Affected: Bureau of Statistics and Planning (BSP)	Dept./Agency Head: Lola Leon Guerrero, Director BSP
Department's General Fund (GF) appropriation(s) to date:	\$1,973,531
Department's Other Fund (Specify) appropriation(s) to date:	\$0
Total Department/Agency Appropriation(s) to date:	\$1,973,531

Fund Source Information of Proposed Appropriation			
	General Fund:	(Specify Special Fund):	Total:
FY 2024 Unreserved Fund Balance		\$0	\$0
FY 2025 Adopted Revenues	\$0	\$0	\$0
FY 2025 Appro. (P.L. 37-125)	\$0	\$0	\$0
Sub-total:	\$0	\$0	\$0
Less appropriation in Bill	\$0	\$0	\$0
Total:	\$0	\$0	\$0

Estimated Fiscal Impact of Bill						
	One Full Fiscal Year	For Remainder of FY 2025 (if applicable)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund	1/	\$0	\$0	\$0	\$0	\$0
Special Fund	1/	\$0	\$0	\$0	\$0	\$0
Total	1/	\$0	\$0	\$0	\$0	\$0

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

Analyst: <u>Louis Schmelzinger</u>	Date: <u>11/07/24</u>	Director: <u>Lester L. Carlson, Jr.</u>	Date: <u>NOV 08 2024</u>
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Comments:
1/ See attached comments for Bill No. 371-37 (COR).

Bureau of Budget and Management Research
Comments on Bill No. 371-37 (COR)

The proposed legislation intends to adjust the minimum wage based on a Consumer Price Index (CPI). On every December 31st the Department of Labor (DOL) or the Bureau of Statistics and Plans (BSP) will provide a calculation on the adjusted minimum wage rate determined by the Fiscal Year Consumer Price Index (CPI) average and rate of inflation to maintain employee purchasing power. The adjusted minimum wage rate shall be calculated to the nearest twenty-five cents (\$0.25) using the Guam Consumer Price Index (CPI) or a successor index for the twelve months prior to each December 1st as calculated by the Bureau of Statistics and Plans or the Department of Labor. The adjusted minimum wage rate calculated takes effect on the proceeding March 1st.

Based on comments received, the BSP supports Bill 371-37 (COR) with the condition that the proposed language related to the calculation be changed to only apply the Average Annual CPI by FY. The BSP recommends removing “twelve months” and replacing it with “fiscal year”. If this simple change is made to Bill 371-37 (COR), the BSP does not believe that the mandate in Bill 371-37 (COR) will have a fiscal impact. The BSP Business and Economic Statistics Division produces a Consumer Price Index Report that contains all of the variables needed to calculate inflation adjustments. BSP also maintains an Inflation Calculator that is updated after each Quarterly CPI report is completed.

According to comments received from the DOL, the cost impact to the government of Guam payroll expenditures would be close to negligible. Few employees in the government of Guam have earnings below the proposed minimum wage increase. However, the DOL indicated that should the proposed legislation be enacted, a minimum of 2 additional staff are needed for the Wage & Hour section of the DOL at an estimated cost of \$122,067 per year. DOL indicated that more staff are needed because employers will surely have difficulty complying with the yearly change and this will result in definite massive wage complaints and enforcement action by the Wage & Hour section of the DOL.

The Bureau is unable to determine an approximate fiscal impact to the government of Guam payroll expenditures, however, refers to the DOL’s comments that such fiscal impact be close to negligible. It should be noted that there is a potential for government of Guam revenues to increase, based on minimum wage earners paying slightly more income tax. However, the comments from the DOL indicated that the revenues would likely be close to neutral.

The Bureau has attached the comments from BSP and DOL on the proposed legislation to the fiscal note for your information and reference.



DEPARTMENT OF LABOR

DIPATTAMENTON HOMOTNÁT • David M. Dell'Isola, Director • Gerard A. Toves, Deputy Director

Lourdes A. Leon Guerrero
Governor

Joshua F. Tenorio
Lieutenant Governor

November 5, 2024

MEMORANDUM

To: Lester Carlson, Jr., Director
From: David Dell'Isola, Director
Subject: Fiscal Note – Bill 371-37

Hafa Adai, below please find the Department's comments to Bill 371-37.

Direct Impact to the Department of Labor:

The fiscal impact will be to GDOL'S Employment and Training Programs on the cost for program participation which will slightly reduce the number of program participants enrolled each year. Below is the anticipated cost for program participation at an increase rounded to the nearest \$.25:

<u>Minimum Wage Increase:</u>	<u>Current</u>	<u>Proposed</u>
Transitional Jobs (1040 Hours)	\$10,356.00	\$11,196.00
In-School Youth Program	\$1,912.00	\$2,067.00
SCSEP Program	\$10,356.00	\$11,196.00

Enforcement Review (Wage & Hour):

The bill contemplates a yearly increase in the minimum wage rate. This is a drastic change in how minimum wages have been handled in the past. Employers will surely have difficulty complying with the yearly change and this will result in a definite massive increase in wage complaints and enforcement actions by the DOL Wage & Hour Division (WHD). Wage audits, onsite records inspections and significant employer outreach efforts will also be necessary and must be funded via an appropriation from the General Fund.

WHD estimates that a minimum of 2 staff will be needed to handle this new caseload created by the new yearly wage change, should the bill pass. The following positions will be required to enforce the new mandate:

Labor Law Enforcement Specialist I:	Wages - \$32,355 + Benefits - \$25,004 =	\$57,359.00
Labor Law Enforcement Specialist III:	Wages - \$37,913 + Benefits - \$26,795 =	\$64,708.00
TOTAL LABOR COST:		\$122,067.00

Mailing Address: P.O. Box 9970 • Tamuning, Guam 96931
Physical Address: 414 West Soledad Avenue • Suite 808, GCIC Building • Hagåtña, Guam 96910
Telephone: (671) 475-7044/7036 • Facsimile: (671) 475-6811
American Job Center: (671) 475-7000/1
Website: dol.guam.gov • hireguam.com



americanjobcenter
GUAM

It is the Department's opinion that existing staff will not be able to absorb the new workload as resources are already stretched as a result of workload resulting from increased worker populations resulting from the military build-up.

Economic Review

The Bill 371-37 would increase the minimum wage by the Annual Average Percent Change as measured by the Guam Consumer Price Index (CPI) published by the Bureau of Statistics and Plans. The most recent full year annual average is 8.7% which applied to the current minimum wage of \$9.25 per hour when rounded to the nearest 25 cents would be a \$0.75 increase. The actual increase may be somewhat less if the trend of declining rates of inflation in the U.S. are seen in Guam when the figures for the year are published.

The impact of Bill 371-37 on Government of Guam Payroll Expenditures would be close to negligible. This is because few employees in the Government of Guam have earnings below the proposed minimum wage increase, the amount of the increase is small and most of those employees are federally funded program participants. The increase would take effect on March 1, 2025, so it would be in effect for only the seven remaining months of the fiscal year.

The fiscal impact to the Government of Guam revenues would likely be close to neutral. Some minimum wage earners may pay slightly more taxes if the income increase results in an increased tax liability. Increased earnings may cause an increase or decrease in earned income tax credits. The burden on some social programs could be reduced slightly. The increase would primarily result in a minor redistribution of incomes with minimum wage earners doing a little better and increasing spending at local businesses while businesses would absorb or pass on to consumers with slightly higher prices on some items. It could slightly affect business profit and gross receipt taxes. Due to the limited number of employees receiving the increase as a percent of the labor force and the small percentage change, all of these individual effects would be very small and resultant revenue increases from one category may be offset by decreases in others. Changes in business operations including automation and consumer expenditure adjustments are likely to be small but could be expected.

Currently the BSP publishes the Annual Average Percent Change on a calendar year basis. This bill would require that it be done on a calendar year basis and in time to submit. It is not clear if the September report will be completed and published by the December 31 date. It is not clear who the calculation of the new rate would be provided to. The exact mechanism to promulgate the new rate should be clarified.

Should you have any questions, please feel free to contact our office.


DAVID M. DELL'ISOLA
Director

Fiscal Note: Bill No. 371-37 (COR)

Matthew Santos <matthew.santos@bsp.guam.gov>

Mon, Nov 4, 2024 at 4:51 PM

To: Jasmine Tereas <jasmine.terreas@bbmr.guam.gov>

Cc: Lola Leon Guerrero <lolalg@bsp.guam.gov>, BBMR Administrative Staff <admin@bbmr.guam.gov>, Administration <admin@bsp.guam.gov>, Lester Carlson <lester.carlson@bbmr.guam.gov>, William Taitingfong <bill.taitingfong@bbmr.guam.gov>, Louis Schmelzinger <louis.schmelzinger@bbmr.guam.gov>, Joaquin Guerrero <joaquin.guerrero@bbmr.guam.gov>

The Bureau of Statistics and Plans supports Bill 371-37 with the condition that the language related to the calculation be changed to only apply the Average Annual CPI by FY. The first sentence Bill 371-37 Section 2 Paragraph 1 states " On every December 31st. the Department of Labor (DOL) or Bureau of Statistics and Plans (BSP) will provide a calculation on the adjusted minimum wage rate determined by the Fiscal Year Consumer Price Index (CPD average and rate of inflation to maintain employee purchasing power."

The second sentence in Bill 371-37 Section 2 Paragraph 1 conflicts with the first sentence since it states that "The adjusted minimum wage rate shall be calculated to the nearest twenty-five cents (\$0.25) using the Guam Consumer Price Index (CPI) or a successor index for the twelve months prior to each December 1st as calculated by the Bureau of Statistics and Plans".

The technical reading of this bill involves the use of an average annual CPI by fiscal year and also uses a range that is not aligned with a fiscal year i.e. "twelve months prior to each December 1st". This would be the difference between October to December (the Guam FY) and December to November (twelve months prior to each December 1st"). It is important to note that The Bureau of Statistics and Plans only reports on a quarterly basis, so it would not be possible to use a value based on the "twelve months prior to each December 1st" since November and December are within the same quarter in both a CY and FY Scenario.

The Bureau of Statistics and Plans recommends removing "twelve months" and replacing it with "fiscal year". This change is reflected in the update to paragraph 1 of Section 2 of Bill 371-37 as seen below:

"Minimum Wage Adjustment Based on Consumer Price Index (CPI). On every December 31st. the Department of Labor (DOL) or Bureau of Statistics and Plans (BSP) will provide a calculation on the adjusted minimum wage rate determined by the Fiscal Year Consumer Price Index (CPD average and rate of inflation to maintain employee purchasing power. The adjusted minimum wage rate shall be calculated to the nearest twenty-five cents (\$0.25) using the Guam Consumer Price Index (CPI) or a successor index. for the twelve months Fiscal Year prior to each December 1st as calculated by the Bureau of Statistics and Plans or the Department of Labor. The adjusted minimum wage rate calculated under this subsection 53122 takes effect on the proceeding March 1st."

If this simple change is made to Bill 371-37, The Bureau of Statistics and Plans does not believe that the mandate to BSP in Bill 371-37 will have a fiscal impact. The BSP Business and Economic Statistics Divisions produces a quarterly Consumer Price Index Report that contains all of the variables needed to calculate inflation adjustments. BSP also maintains an Inflation Calculator that is updated after each Quarterly CPI report is completed.

If passed, the Bureau of Statistics and Plans will simply use its' "Guam Inflation Calculator" by "Fiscal Year Consumer Price Index (CPI) Average". The Guam Inflation Calculator calculates the inflation adjusted amount or the amount to "maintain employee purchasing power" as defined in Section 2.

A screenshot of the calculator is below. This example uses a scenario of where the, "Base Value = the current minimum wage of 9.25", the "Base Year" is the fiscal year the last minimum wage increase took effect i.e. FY 2021, and the calculation year is FY 2023. The "Calculated Value" would be the "Minimum Wage" adjusted to inflation up to FY 2023.

The "Guam Inflation Calculator" can be found at <https://bsp.guam.gov/cpi/> or directly downloaded at <https://bsp.guam.gov/wp-bsp-content/uploads/2024/11/Guam-Inflation-Calculator-By-FY-and-CY-Q2CY24-Q3FY24.xlsx>"



Base Value **\$9.25**

Base Year **2021**

Calculation Year **2023**

Calculated Value **\$10.78**

9.25 in FY 2021 has the same purchasing power as 10.78 in FY 2023

CPI By Fiscal Year

Year	Q1	Q2	Q3	Q4	Average
1997	67.3	68.8	68.6	68.2	68.2
1998	68.9	69.0	68.0	67.9	68.5
1999	67.7	68.6	68.9	70.1	68.8
2000	70.2	71.2	71.4	70.4	70.8
2005	70.2	79.3	80.9	81.5	78.0
2006	88.1	88.8	91.3	92.4	90.1
2007	95.5	97.2	98.1	97.6	97.1
2008	98.2	101.1	104.1	106.0	102.4
2009	104.3	105.6	105.4	106.9	105.6
2010	106.1	107.8	108.9	109.4	108.1
2011	109.2	109.8	112.9	113.3	111.3
2012	112.8	116.0	116.4	116.6	115.4
2013	116.3	118.8	117.0	115.5	116.4
2014	116.3	116.4	117.1	117.2	116.7
2015	117.2	116.0	116.5	116.4	116.5
2016	116.1	121.3	123.5	123.6	121.1
2017	123.0	124.1	126.1	126.4	124.9
2018	126.1	127.6	129.3	129.9	128.2
2019	129.3	130.1	131.6	131.8	130.7
2020	131.6	133.5	134.9	132.9	133.2
2021	133.9	135.8	137.8	140.9	137.1
2022	139.0	143.7	147.9	151.1	145.4
2023	149.9	163.6	164.3	161.1	159.7
2024	162.9	164.0	170.7		165.9

On Thu, Oct 31, 2024 at 11:50 AM Jasmine Tereas <jasmine.terreas@bbmr.guam.gov> wrote:
[Quoted text hidden]



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