



COMMITTEE ON RULES

I Mina'trentai Dos na Liheslaturan Guåhan • The 32nd Guam Legislature

155 Hesler Place, Hagåtña, Guam 96910 • www.guamlegislature.com

E-mail: roryforguam@gmail.com • Tel: (671)472-7679 • Fax: (671)472-3547

Senator
Rory J. Respicio
CHAIRPERSON
MAJORITY LEADER

February 27, 2014

Memorandum

To: Rennae Meno
Clerk of the Legislature

From: Senator Rory J. Respicio
Majority Leader & Rules Chair

Subject: Fiscal Notes / Waiver

Hafa Adai!

Attached please find the fiscal notes and waiver for the bill numbers listed below.

Please note that the fiscal notes, or waivers, are issued on the bills as introduced.

FISCAL NOTES:

Bill No. 243-32(COR)

Bill No. 244-32(COR)

Bill No. 248-32(COR)

Bill No. 255-32(COR)

Bill No. 265-32(COR)

Bill No. 267-32(COR)

WAIVER:

Bill No. 25232(COR)

Please forward the same to MIS for posting on our website. Please contact our office should you have any questions regarding this matter.

Si Yu'os ma'åse'!

Senator
Thomas C. Ada
VICE CHAIRPERSON
ASSISTANT MAJORITY LEADER

Senator
Vicente (Ben) C. Pangelinan
Member

Speaker
Judith T.P. Won Pat, Ed.D.
Member

Senator
Dennis G. Rodriguez, Jr.
Member

Vice-Speaker
Benjamin J.F. Cruz
Member

Legislative Secretary
Tina Rose Muña Barnes
Member

Senator
Frank Blas Aguon, Jr.
Member

Senator
Michael F.Q. San Nicolas
Member

Senator
V. Anthony Ada
Member
MINORITY LEADER

Senator
Aline Yamashita
Member

2014 FEB 27 11:08

**BUREAU OF BUDGET & MANAGEMENT RESEARCH**

OFFICE OF THE GOVERNOR
Post Office Box 2950, Hagåtña Guam 96932

EDDIE BAZA CALVO
GOVERNOR

JOHN A. RIOS
DIRECTOR

RAY TENORIO
LIEUTENANT GOVERNOR

JOSE S. CALVO
DEPUTY DIRECTOR

FEB 25 2014

Senator Rory J. Respicio
Chairperson, Committee on Rules
I Mina'trentai Dos na Liheslaturan Guâhan
The 31st Guam Legislature
155 Hesler Place
Hagåtña, Guam 96932

Hafa Adai Senator Respicio:

Transmitted herewith is Fiscal Note on the following Bill Nos.: 243-32(COR), 244-32(COR), 248-32(COR), 255-32(COR), 265-32(COR) 267-32(COR) and Fiscal Note Waiver on the following Bill Nos.: 252-32(COR).

If you have any question(s), please do not hesitate to call the office at 475-9412/9106.


JOHN A. RIOS
Director

Enclosures

cc: Senator Vicente (ben) Pangelinan

Bureau of Budget & Management Research
Fiscal Note of Bill No. 265-32 (COR)

AN ACT TO AUTHORIZE THE CHAMORRO LAND TRUST COMMISSION TO ENTER INTO ECONOMIC LEASES BY ADDING A NEW SECTION 75122, CHAPTER 25, TITLE 21 GUAM CODE ANNOTATED.

Department/Agency Appropriation Information	
Dept./Agency Affected: Chamorro Land Trust Commission	Dept./Agency Head: David Camacho, Acting Director
Department's General Fund (GF) appropriation(s) to date:	
Department's Other Fund (Specify) appropriation(s) to date: Chamorro Land Trust Operating Fund	\$551,580
Total Department/Agency Appropriation(s) to date:	\$551,580

Department/Agency Appropriation Information	
Dept./Agency Affected: Department of Revenue & Taxation	Dept./Agency Head: John Camacho, Director
Department's General Fund (GF) appropriation(s) to date:	8,196,472
Department's Other Fund (Specify) appropriation(s) to date: Chamorro Land Trust Operating Fund	\$2,441,903
Total Department/Agency Appropriation(s) to date:	\$10,638,375

Fund Source Information of Proposed Appropriation			
	General Fund:	(Specify Special Fund):	Total:
FY 2013 Unreserved Fund Balance ¹		\$0	\$0
FY 2014 Adopted Revenues	\$0	\$0	\$0
FY 2014 Appro. (P.L. 31-233)	\$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 2014 (if applicable)	FY 2015	FY 2016	FY 2017	FY 2018
General Fund	1/	\$0	\$0	\$0	\$0	\$0
Chamorro Home Loan Fund	1/	\$0	\$0	\$0	\$0	\$0
DPW Building & Design Fund	1/	\$0	\$0	\$0	\$0	\$0
Total	1/	\$0	\$0	\$0	\$0	\$0

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

JW
2/2/14

Analyst: Jason Baza Date: 2/10/14 Director: John X. Rios FEB 25 2014
Jason W. Baza, BMA I John X. Rios, Director

Footnotes:
1/ See attached comments.

Bureau of Budget & Management Research
Attachment to Fiscal Note No. 265-32 (COR)
(for revenue generating provisions)

Projected Multi-Year Revenues					
	Year 1	Year 2	Year 3	Year 4	Year 5
General Fund	\$4,625	\$4,625	\$4,625	\$4,625	\$4,625
Chamorro Home Loan Fund (Revolving Fund)	\$5,000	\$5,100	\$5,202	5,306	5,412
DPW Building & Design Fund	\$1,000	\$0	\$0	0	0
Total	<u>\$10,625</u>	<u>\$9,725</u>	<u>\$9,827</u>	<u>\$9,931</u>	<u>\$10,037</u>

Comments:

1/ See attached comments.

BUREAU OF BUDGET AND MANAGEMENT RESEARCH
COMMENTS ON BILL NO. 265-32 (COR)

The proposed legislation is aimed at the following: adding a new Section 75122 to Chapter 25, Title 21, GCA.

Should the proposed legislation be passed into law, the Chamorro Land Trust Commission ("Commission") would be authorized to enter into economic leases for the benefit of Chamorro Land Trust "projects" and for an additional revenue stream to be collected by the "Commission". The proposed legislation defines an economic lease to mean a commercial lease with a non-beneficiary of the Chamorro Land Trust parcel of property intended to generate revenues. The proposed legislation defines a "project" of the Chamorro Land Trust to mean a specific undertaking to develop, construct, reconstruct, rehabilitate, renovate, or to otherwise improve or enhance land or real property.

Section 2 of the proposed legislation establishes the terms of the economic leases. In this section, all economic leases are subject to a maximum of fifty (50) years with an option to renew the lease every five (5) years. During the first five (5) years of the fifty (50) year economic lease, the lease payment shall increase by 2% every year of the five (5) year span. According to §75122.4 of the proposed legislation, parcels of Chamorro Land Trust property have not yet been designated for eligibility for economic leases. If the parcels of Chamorro Land Trust property still need to be surveyed, the Bureau anticipates the cost of survey would be taken upon by the "Commission". The recording or filing of an approved survey map is \$25.00 plus \$5.00 per additional sheet.

Because there is not enough significant information to come up with an exact cost impact, the Bureau is basing a cost impact on an assumption for a single economic lease. The assumption is as follows: A retail company is selected to enter into an economic lease with the "Commission"; the lease rate of the property \$1 per square foot; the property size is 5,000 square feet; and there currently is no building infrastructure on the 5,000 square foot property.

For the first 5 years of the economic lease agreement, the value of \$5,000 lease agreement payment will increase by 2% every year until the fifth year, which would result in a \$5,412 lease payment for the property by the fifth year to be received by the "Commission". Assuming that the retail store will be constructed to a total amount of 3,500 square feet, the Bureau estimates that \$1,000 (lowest possible amount for commercial building permit costs) will be received by the Department of Public Works in the form of a building permit.

Adding a building infrastructure to the property would increase the real property tax rate, which the Bureau estimates that an additional \$1,358 (3,500 sq. ft. building * \$100/sq. ft. for commercial building * 0.388% building tax rate) will be received by the Department of Revenue & Taxation. In addition to the increase of taxes for the property, the Bureau anticipates another \$100 to be received by the Department of Revenue & Taxation in the form of a business license. Another form of revenue would come in the form of income taxes to be received by the Department of Revenue & Taxation. Assuming that three (3) employees are hired at minimum wage, the Bureau estimates that \$3,166.80 (3 employees * \$15,080/annum * 7% income tax rate) will be received by the Department of Revenue and Taxation. The total amount to be received by the Department of Revenue & Taxation amounts to \$4,624.80 (real property taxes, a business license, and income taxes).

Working under the assumption that all ten (10) of the selected parcels of Chamorro Land Trust property are the same as the above stated scenario, the Bureau estimates that \$50,000 will be received by the "Commission" in the form of lease agreement payments on the first year of this bill's enactment (\$5,000/parcel of property * 10 parcels). The Bureau estimates that \$10,000 will be received by the Department of Public Works in the form of building permits (\$1,000/building permit * 10 parcels of property). The Bureau estimates that \$46,248 will be received by the Department of Revenue & Taxation in the form of real property taxes, business licenses, and income taxes (\$4,624.80 total to be received by DRT in above stated scenario * 10 parcels of property). The total potential revenue for the first year of this Bill's enactment amounts to \$106,248.

The proposed legislation would allow the economic leases last over a span of fifty (50) years, which the lowest possible revenue in the form of lease payments to be received by the "Commission" over a fifty (50) year period amounts to \$2,500,000.