



COMMITTEE ON RULES

I Mina'trentai Tres na Liheslaturan Guåhan • The 33rd Guam Legislature

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September 28, 2015

Memorandum

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

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

Subject: **Fiscal Notes**

Hafa Adai!

Attached please find the fiscal notes for the bill numbers listed below. Please note that the fiscal notes are issued on the bills as introduced.

FISCAL NOTES:

Bill No. 170-33(COR)

Bill No. 171-33(COR)

Bill No. 175-33(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'!

2015 SEP 28 PM 12:28

Bureau of Budget & Management Research
Fiscal Note of Bill No. 175-33 (COR)

AN ACT TO PRIORITIZE THE SURVEYING, REGISTRATION, AND CONSTRUCTION OF INFRASTRUCTURE FOR CHAMORRO LAND TRUST COMMISSION (CLTC) RESIDENTIAL AND AGRICULTURE PROPERTIES USING THE PROCEEDS OF COMMERCIAL LEASES, THROUGH THE ENACTMENT OF RULES AND REGULATIONS FOR CLTC COMMERCIAL LEASES.

Department/Agency Appropriation Information

Dept./Agency Affected: Chamorro Land Trust Commission	Dept./Agency Head: Michael Borja, Director
Department's General Fund (GF) appropriation(s) to date:	-
Department's Other Fund (Specify) appropriation(s) to date: Chamorro Land Trust Operations Fund	1,006,799
Total Department/Agency Appropriation(s) to date:	\$1,006,799

Fund Source Information of Proposed Appropriation

	General Fund:	(Specify Special Fund):	Total:
FY 2014 Unreserved Fund Balance		\$0	\$0
FY 2015 Adopted Revenues	\$0	\$0	\$0
FY 2015 Appro. (P.L. 32-181 thru 33-07)	\$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 2015 (if applicable)	FY 2016	FY 2017	FY 2018	FY 2019
General Fund	\$0	\$0	\$0	\$0	\$0	\$0
(Specify Special Fund)	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$0	\$0	\$0	\$0	\$0	\$0

- Does the bill contain "revenue generating" provisions? / X / Yes / / 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? / X / N/A / / Yes / / 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: / / Yes / X / No
/ X / Requested agency comments not received by due date / X / Other: Time Constraints

Analyst: Jason Baza Date: 9/21/15 Director: Jose S. Calvo Date: SEP 24 2015
 Jason Baza, BMA Jose S. Calvo, Director

Notes:
See attached comments.

BUREAU OF BUDGET AND MANAGEMENT RESEARCH
COMMENTS ON BILL NO. 175-33 (COR)

The intent of the proposed legislation is to enact the rules and regulations for Chamorro Land Trust Commission (CLTC) commercial leases in order to facilitate the surveying, registration, and construction of infrastructure for CLTC residential and agriculture properties.

Much of the proposed rules and regulations for commercial leases are administrative in nature. However, there are certain subsections that include revenue generating provisions that can be received by the CLTC. Section 3(e) imposes rent expenses for commercial leases to be based upon the fair market value of the property as determined by the average of two appraisals pursuant to P.L. 31-44. The rent expense shall be no less than nine percent (9%) of the original appraisal of fair market value and shall escalate at five year intervals based upon the established fair market value for the subject property. Subsequently, Section 3(g) states that all commercial tenants shall pay the CLTC a negotiated amount of participation rent, which such amount is derived from the percentage of the gross annual income from the use of the property. In addition, all commercial tenants are required to pay any taxes and assessments lawfully levied [Section 3(i)] and to pay for any expenses associated with the processing of leases, amendments, attorney fees, appraisal fees, etc. [Section 3(j)].

Section 6 of the proposed legislation creates a new special Fund called the Chamorro Land Trust Survey and Infrastructure Fund ("Fund"). All the revenues received from the above cited provisions in Section 3 of the proposed legislation shall be deposited into the newly established "Fund". Subsection 6(b) outlines the authorized uses for the "Fund". Per this subsection, the CLTC shall pay the Guam Economic Development Authority (GEDA) in an amount no more than 3% of the annual lease payments collected during the first year of the public-public partnership between the CLTC and GEDA as stipulated in Section 5 of the proposed legislation. Absent feedback from the CLTC, it is uncertain on if they are amenable to this percentage and/or the arrangement with GEDA.

The adoption of the rules and regulations for commercial leases of the CLTC property inventory would result in additional revenues to be received by the CLTC. Any revenues received directly from commercial leases shall be deposited into the newly created Chamorro Land Trust Survey and Infrastructure Fund. However, the Bureau cannot determine an estimated amount of revenues to be received due to not having access to information regarding the amount of properties subject for commercial leases, the fair market value based on two appraisals for these properties, and the estimated gross annual income from the use of the properties through commercial leases.

Lastly, it should be noted that the CLTC was aware of the significance to fund the surveying and registration of the residential and agricultural properties of the CLTC land inventory and included \$850,000 to cover such costs in their FY 2016 Budget Request. However, it appears that such funding was omitted from the CLTC's appropriation level in the FY 2016 Appropriations Act (P.L. 33-66).