



CARL T.C. GUTIERREZ
GOVERNOR OF GUAM

Refer to
Legislative Secretary

DEC 30 1998

The Honorable Antonio R. Unpingco
Speaker
Mina'Bente Kuáttro na Liheslaturan Guåhan
Twenty-Fourth Guam Legislature
Guam Legislature Temporary Building
155 Hesler Street
Hagåtña, Guam 96910

OFFICE OF THE LEGISLATIVE SECRETARY
RECEIVED DATE
By: <i>[Signature]</i>
Time: 10:23 am
Date: 12-31-98

Dear Speaker Unpingco:

Enclosed please find Bill No. 793 (LS)", AN ACT TO APPROPRIATE \$10,000,000 TO THE DEPARTMENT OF EDUCATION TO SUPPLEMENT ITS OPERATIONS FOR FISCAL YEAR 1999" which I have signed into law as Public Law No. 24-324.

This is a one-time appropriation from the remainder of Gross Receipts Tax that is retained by the Executive Branch after transfer of 88% of Fiscal Year Gross Receipts Tax for Fiscal Year 1999.

Very truly yours,

Carl T. C. Gutierrez
I Maga'lahaen Guåhan
Governor of Guam

Attachment: copy attached for signed or overridden bill
original attached for vetoed bill

cc: The Honorable Joanne M. S. Brown
Legislative Secretary


01156

Office of the Speaker
ANTONIO R. UNPINGCO
Date: 12/31/98
Time: 9:05
Rec'd by: *[Signature]*
Print Name: LAUREL

MINA'BENTE KUATTRO NA LIHESLATURAN GUAHAN
1998 (SECOND) Regular Session


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

This is to certify that Bill No. 793 (LS), "AN ACT TO APPROPRIATE \$10,000,000 TO THE DEPARTMENT OF EDUCATION TO SUPPLEMENT ITS OPERATIONS FOR FISCAL YEAR 1999," was on the 30th day of December, 1998, duly and regularly passed.



ANTONIO R. UNPINGCO
Speaker

Attested:



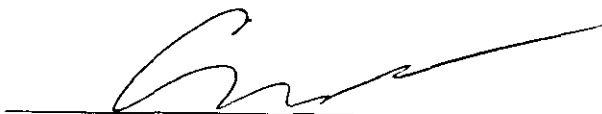
JOANNE M.S. BROWN
Senator and Legislative Secretary

This Act was received by *I Maga'lahaen Guahan* this 30th day of December, 1998,
at 3:15 o'clock P.M.



Assistant Staff Officer
Maga'lahi's Office

APPROVED:



CARL T. C. GUTIERREZ
I Maga'lahaen Guahan

Date: 12-30-98

Public Law No. 24-324

**MINA'BENTE KUÁTTRO NA LIHESLATURAN GUÁHAN
1998 (SECOND) Regular Session**

Bill No. 793 (LS)

As amended on the Floor.

Introduced by:

A. C. Blaz
Mark Forbes
L. F. Kasperbauer
V. C. Pangelinan
F. B. Aguon, Jr.
T. C. Ada
J. M.S. Brown
Felix P. Camacho
Francisco P. Camacho
M. C. Charfauros
E. J. Cruz
W. B.S.M. Flores
A. C. Lamorena, V
C. A. Leon Guerrero
L. A. Leon Guerrero
J. C. Salas
A. L.G. Santos
F. E. Santos
A. R. Unpingco
J. T. Won Pat

**AN ACT TO APPROPRIATE \$10,000,000 TO THE
DEPARTMENT OF EDUCATION TO SUPPLEMENT
ITS OPERATIONS FOR FISCAL YEAR 1999.**

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

2 **Section 1. Legislative Intent.** It is the intent of *I Liheslaturan Guåhan*
3 by this Act to ensure that the children of Guam will be least impacted by the
4 financial crisis of the government of Guam. *I Liheslaturan Guåhan* specifically
5 intends to mandate education as a higher spending priority of the
6 government and the more optimal utilization of the limited and dwindling
7 General Fund. It is further intended by making this appropriation from the
8 General Fund that *I Maga'lahaen Guahan* immediately transfer from the lesser
9 priorities within the government of Guam the Ten Million Dollars
10 (\$10,000,000) urgently needed for the Department of Education.

11 It is the intent of *I Liheslaturan Guahan* that the additional appropriation
12 shall be used to avoid any reduction or curtailment of instructional services at
13 the schools.

14 **Section 2.** Notwithstanding any other provision of law, and
15 supplemental to any other appropriation to the Department of Education
16 ("DOE") for Fiscal Year 1999, including the eighty-eight and one-half percent
17 (88 ½%) of all Gross Receipts Taxes collected on Guam pursuant to Public
18 Law Number 24-17, as *amended*, Ten Million Dollars (\$10,000,000) is hereby
19 *authorized and appropriated* from the remaining eleven and one-half percent (11
20 ½%) of all Gross Receipts Taxes collected in Fiscal Year 1999 to DOE's
21 operations for Fiscal Year 1999 for instructional and school personnel dealing
22 directly with the school children and classroom instruction.

23 **Section 3.** The Director of the Department of Education shall within
24 thirty (30) days of the enactment of this Act submit a plan detailing additional

1 cost cutting measures to ensure that instructional and school personnel
2 dealing directly with the school children and classroom instruction are *not*
3 interrupted or curtailed.

4 **Section 4. Severability.** *If* any provision of this Law or its
5 application to any person or circumstance is found to be invalid or contrary to
6 law, such invalidity shall *not* affect other provisions or applications of this
7 Law which can be given effect without the invalid provisions or application,
8 and to this end the provisions of this Law are severable.




MINA' BENTE KUATTRO NA LIHESLATURAN GUAHAN
T W E N T Y • F O U R T H G U A M L E G I S L A T U R E
155 Hesler Street, Agana, Guam 96910

MINA' BENTE KUATTRO NA LIHESLATURAN GUAHAN
1998 (SECOND) Regular Session

I, Antonio R. Unpingco, Speaker of *I Mina'Bente Kuattro Na Liheslaturan Guahan*, hereby certify, in conformance with Title 2 Guam Code Annotated §2103, *Public Hearings Mandatory*, that an emergency condition exists involving danger to the public health and safety and therefore waive the statutory requirements for a public hearing on Bill Number 793 (LS), "AN ACT TO APPROPRIATE \$10,000,000 TO THE DEPARTMENT OF EDUCATION TO SUPPLEMENT ITS OPERATIONS FOR FISCAL YEAR 1999," which was introduced on December 30, 1998 and therefore waive the statutory requirements for a public hearing on Bill Number 793 (LS).

Dated: December 30, 1998



ANTONIO R. UNPINGCO
Speaker

I MINA' BENTE KUATTRO NA LIHESLATURAN GUAHAN

1998 (SECOND) Regular Session

Date: 12/30/98

VOTING SHEET

Bill No. 793(LS)
 Resolution No. _____

Question: _____

NAME	YEAS	NAYS	NOT VOTING/ ABSTAINED	ABSENT/ OUT DURING ROLL CALL
ADA, Thomas C.	✓			
AGUON, Frank B., Jr.	✓			
BARRETT-ANDERSON, Elizabeth				
BLAZ, Anthony C.	✓			
BROWN, Joanne M. S.	✓			
CAMACHO, Felix P.	✓			
CAMACHO, Francisco P.	✓			
CHARFAUROS, Mark C.	✓			
CRUZ, Edwardo J.	✓			
FLORES, William B.S.M.				✓
FORBES, Mark	✓			
KASPERBAUER, Lawrence F.	✓			
LAMORENA, Alberto C., V	✓			
LEON GUERRERO, Carlotta A.	✓			
LEON GUERRERO, Lou	✓			
PANGELINAN, Vicente C.	✓			
SALAS, John C.	✓			
SANTOS, Angel L.G.	✓			
SANTOS, Francis E.	✓			
UNPINGCO, Antonio R.	✓			
WON PAT, Judith T.	✓			

TOTAL 19 1 0 1

CERTIFIED TRUE AND CORRECT:

 Clerk of the Legislature

A letter to the Senators
of I Mina' Bente Kuattro Na Liheslaturan Guahan

December 29, 1998

Hafa Adai Senators,

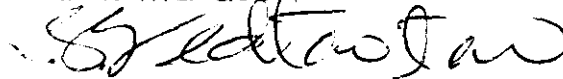
Today, we the youth community of Guam come before you to express our concerns about the current budget crisis of the Department of Education. Though, we do not fully understand every specific details of the Dept. of Education, we are certain that any financial cuts within our public schools will definitely affect the educational opportunity that we so "rightfully" deserve.

Throughout this past election for various public offices', many of the candidates both new-comers and incumbents have repeatedly stated that "Education" is their number one priority. Today and in the next coming weeks this priority will come to a challenge before you as the educational administration, staff, and students will look to you for help in allievating this "budget crisis" issue.

As this holiday season of 1998 closes its doors, many of us are very persistent in making the new year full of positive outcomes and making them successful as possible. And in doing so, it would be a great relief to know that our education which we so "rightfully deserve" will not be jeopardized!

Thank you for your time and understanding.

Si Yuu'us Ma'ase



Rep. Jason S. Tedatotao

Vice-Speaker

22nd Guam Youth Congress

THE DIVERSION OF A FINANCIAL DISASTER

Teaching and Learning Within Our Means

The Guam Department of Education is charged with providing learning opportunities for Guam students from kindergarten through grade twelve in an effort to help each student meet their potential. Today, there are 15,019 elementary school students and 16,128 secondary school students. To meet our vision of preparing all students for life, promoting excellence, and providing support, a work force of 3,819 locally funded employees and 465 federally funded employees are on board. Payroll requirements stand at 140 million dollars for local positions and 15 million for federal positions. The operations of our 36 schools and support offices require funding of 15 million dollars.

The local funding source of the public education system is set by law: 88% of the gross receipts tax, which for this fiscal year is projected to be \$130 million. During the first quarter of this fiscal year, the Department of Education has expended \$37 million dollars from local and federal funds. This presents a shortfall for the remainder of this fiscal year of \$28.5 million dollars.

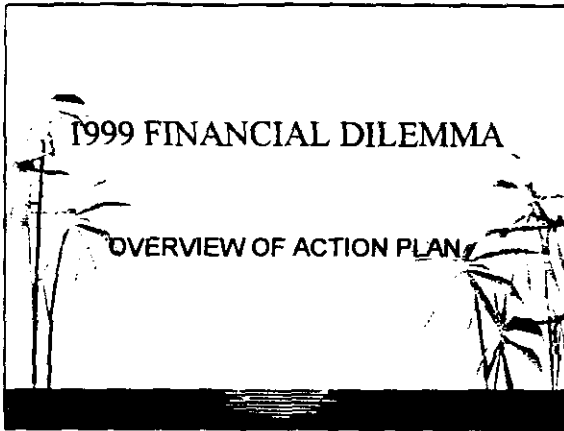
While federal funding brings in \$24.6 million, this money must be fronted by cash before reimbursed by the federal government. We should also be reminded that there are strict guidelines regarding how federal funds can be used. For example, these funds cannot be used for supplanting or taking the place of local funds. Such violation will result in the revoking of the federal grant.

To keep schools in operation, we must reduce personnel costs by 21% which means the reduction of every pay period by \$1.4 million dollars. Management has gone through several exercises to review how the teaching and learning for all students can be safeguarded while making ends meet with such a serious shortfall.

Because the majority of the budget is at the schools or for support and services to the schools, cuts will inevitably affect the schools. While every DOE employee is of value and makes a difference in the education of students, every section will be impacted. Central Office will be required to reduce its work force by 35%. Some employees will be reassigned to the schools where they are needed and where it is sensible, others will be placed on non-work status.

The Board Union Contract defines class ratios. Each principal has reviewed class rosters and has maximized class counts to meet these class ratios. As a result of this exercise and after ensuring that course offerings are protected, 83 teachers who are special contract and/or limited term will be released. Where there were teacher voids, the Education Corps graduates, full time teachers, and certified central office staff will be reassigned. Every student, every class and every course will have a teacher.

The elimination of special contracts, limited term teachers, and the maximization of



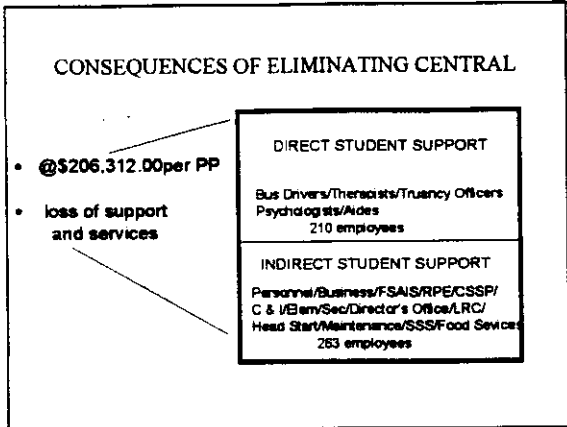
**FISCAL REVIEW FOR THE
REMAINDER OF 1999**

1st Quarter Expenditures: \$37 m = \$32.5 m (local) + 4.5 m (federal)

	<u>Local Cash Flow Needs</u>	<u>Federal Cash Flow Needs</u>	<u>TOTAL</u>
Payroll	\$108.4 m	\$15.0 m	\$123.4 m
Operations	14 m		
TOTAL	\$122.4 m	\$15.0 m	\$127.4m
88%GRT @130m	108.9 m		108.9 m
SHORTFALL	\$ 13.5 m	\$15 m	\$ 28.5 m

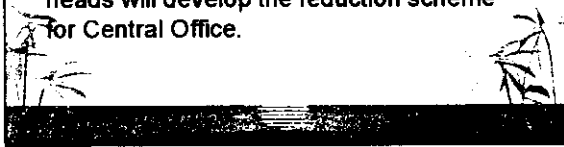
GOAL

▲ To address the shortfall of \$28.5 million, we must reduce personnel costs by 21% which means the reduction of every pay period by \$1.4 million dollars.




**THERE WILL BE A 35% REDUCTION
OF CENTRAL OFFICE PERSONNEL.**

A committee of the Personnel Administrator, 2 teachers, 3 principals and 3 division heads will develop the reduction scheme for Central Office.



IMPACT OF THE CUTS

Because a great majority of the budget is at the schools or for support and services to the schools, cuts will inevitably affect the schools. Every effort is made to protect the mission of the school.



MAXIMIZATION EFFORTS

- ▲ Every school has reviewed and maximized class counts according to Board Union Contractual class ratios
- ▲ As a result of this effort, 83 teachers can be released.
- ▲ Principals have protected course offerings



PROPOSAL TO CUT PERSONNEL COSTS

- ▲ Reduce all non-teacher pay periods by 16 hours: \$349,274.08
- ▲ Reduce all teacher pay periods by 5 hours: 199,503.60
- ▲ 6 vacancies since 12/11: 10,882.23
- ▲ 10 LOTE Teachers transferred to federal funds: 16,808.11
- ▲ Eliminate Special Contracts 110,815.00
- ▲ Eliminate Substitute Teachers 88,451.06
- ▲ Reduce Central Office by 35% 170 employees 208,312.00
- ▲ Reduce Part Time Non-Teachers 25,000.00

TOTAL: \$1,004,647.12

OTHER COST SAVINGS MEASURES

- ▲ \$750,000.00 PP Federal Payroll Fronted By Another Source
- ▲ Deferment of Salary increments \$42,859.00
- ▲ Deferment of Reclassifications \$160,773.85
- ▲ Utility Conservation
- ▲ Freeze on Hiring Through Attrition
- ▲ Reduction of Contractual Services





**AUTHORITY: BOE POLICY 910.10:
LAYOFFS**

▲ **Layoffs: The superintendent may terminate the services of an employee because of the abolition of his position due to lack of work or funds.....**



▲ **Order of Layoffs:all non-permanent employees shall be laid off before permanent employees in the following order:**

- part-time or seasonal
- provisional
- temporary
- probationary



FURLOUGH POLICY PROPOSAL



▲ **This policy will allow the Department of Education to place an employee in a temporary non-duty and non-pay status on a continuous basis. A furlough is not a layoff or a reduction in force action**



MEASURES BEING CONSIDERED

Last Day of School: April 23, 1999.

Pay Lag in April.



ECONOMIC PACKAGE PROPOSAL

Governor Carl T. C. Gutierrez

December 30, 1998

CURRENT ECONOMIC CRISIS :

- ◆ Since the end of the boom years of the early '90s, GovGuam Revenues and Spending have dropped by nearly \$150 million dollars.
- ◆ For FY' 98 we had projected revenues of just \$523 million – but the Asian Economic Crisis continues to hold back our economy.
- ◆ Now, in FY'99, we are looking at projected revenues of just \$486 million.
- ◆ That is \$40 million less than the year before.

Governor Gutierrez speech before the Body 12/30/98

2

- ◆ Things are going to get better, but not quick enough.
- ◆ In the meantime, there are some painful, hard choices that we have to make to keep government services afloat, and ensure the stability of our educational system –
 - ◆ I am committed to seeing that education does not bear the brunt of our reduction in revenues. I am also committed to seeing that there are no layoffs, no one's family gets hurt, and the quality of our children's education is preserved
- ◆ Borrowing money is not the answer, nor is raising taxes. We must make hard decisions.

- ◆ We must understand that the proposals we are making are meant to sustain and bolster our economy, and retain the confidence of our bond holders and maintain our credit ratings.
- ◆ We are working very hard to develop an economic stimulus package designed to increase our tourism numbers, reduce the cost of doing business on Guam, and creating more jobs. Within the next 6 weeks we anticipate some progress on these initiatives.

We have taken austerity measures – In Executive Order 98-33 on December 21:

4

- ◆ Hiring Freeze Effective January 4
- ◆ Non-essential travel frozen
- ◆ Overtime is allowed only for emergency
- ◆ Freeze all miscellaneous appropriations – such as sports travel, scholarships, community development funds, municipal planning funds, capital improvement projects
- ◆ All directors ordered to further cut all non-essential expenses – freezing one month of allotments
- ◆ All Reclassifications are cut

POTENTIAL SAVINGS : \$6 million

5

**BUT TODAY, THE CRISIS HAS REACHED A POINT REQUIRING
MORE DIFFICULT DECISIONS:**

Because the GRT is the most sensitive to fluctuations in the economy, the Dept. of Education has taken the brunt of the fluctuations, and is now in a crisis situation. This is the first sign of future difficulties for the general fund if we do not take action now to fix it. Now is the time for leadership, I call on the Senators in the Legislature to join me in taking action now.

Today, I am making the following proposals in an effort to save the pay and jobs within the Dept. of Education.

6

1) Earned Income Credit-

I am proposing to the legislature amending current laws to limit Earned Income Credit payments to the amount a taxpayer has paid in. In other words, those individuals and families that qualify will be refunded all taxes they pay, but will not get the extra subsidy. The money saved, approximately **\$14 million** dollars annually, can be used to cover shortfalls in the General Fund such as Education.

2) Retirement Fund-

I have asked the Retirement Fund Board of Trustees to change the unfunded liability from 16 years to 30 years. The resulting savings in the short run would then be used to cover the cost of the supplemental annuities. The Legislature would have to amend the law to redirect a portion of the payments now used to

pay for the unfunded liability to also cover the supplemental annuity – meaning that the Legislature would not have to appropriate additional funds each year to pay for Supplemental Annuity.

SAVINGS \$14 million – for the remainder of this year

ANNUAL SAVINGS \$26 million every year after.

SUMMARY

The proposals made today, if everyone does their part, will take care of a significant portion of our financial crisis. This is a positive approach to our



problems, and I feel it will benefit everyone , and **MOST IMPORTANTLY,**
avoid any crisis at the Department of Education.

I call upon the Legislature to join me in