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JON J. P. FERNANDEZ
Superintendent of Education

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Speaker Benjamin J.F. Cruz

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Received By

Honorable Benjamin J.F. Cruz
Speaker
I Mina' Trentai Kuåttro Na Liheslaturan Guåhan
Thirty-fourth Guam Legislature
163 Chalan Santo Papa
Hagåtña, GU 96910

RE: Guam Department of Education Cost Containment & Revenue Enhancement Initiatives

Hafa Adai Speaker Cruz,

2018 FEB 15 AM 11:38

The Guam Department of Education (GDOE) respectfully requests consideration of a number of legislative amendments to alleviate impending cash pressures due to anticipated FY18 General Fund (GF) revenue losses announced by the Governor and under Bureau of Budget & Management Research (BBMR) Circular 18-04.

Based on BBMR Circular 18-04, the anticipated GF revenue losses ($46.9M in 2018 and $66.M in FY2019) is tied to the enactment of the Federal Tax Cuts and Jobs Act of 2017. For GDOE, that translates into a projected $19M cash shortfall over the next 8 months and a $27.1M budget reduction in FY2019. As of January 30th, the Department of Administration (DOA) has already withheld $15.3M in GF cash disbursements. Earlier this month, DOA has further reduced GDOE's weekly disbursements pursuant to BBMR Circular 2018-04.

While GDOE efforts are already underway to develop and implement both cost containment and revenue enhancement options to address these impacts, GDOE is also concerned about how immediate cash reductions may impede FY2018 operations, most especially, the current instructional school year. We have reached out to employees, our partners, and education stakeholders eliciting their input.

Austerity measures from implementing a hiring freeze of central office employees, substitutes and school administrators, postponing and prioritizing procurement, utility conservation, to reductions in the department's contractual obligations have been issued under my authority as Superintendent. To go beyond these initiatives, however, will require participation, coordination and in some instances, consent and approvals from the Guam Education Board (GEB), the Governor, the Legislature, the Guam Federation of Teachers, BBMR and DOA.

I would like to request for assistance from the Legislature on the following initiatives that would help to alleviate some of the impending cash pressures:

Simon Sanchez High School & CIP Funding

- Since the earliest start date for the Simon Sanchez High School (SSHS) is late 2019, authorize the redirection of appropriations funding the reconstruction of SSHS and other GDOE CIP projects for GDOE operations in FY2018 and FY2019.

Special Funds Appropriations

- Authorize the department to redirect its FY2018 Special Funds appropriations to offset essential school operations.
- Authorize the department to redirect its *prior year* Special Fund appropriations to offset essential school operations.
- Increase Healthy Futures fund Appropriations to GDOE

Amend Teacher Annual Leave Payout to Sick Leave

- Amend 17 GCA §3216 Teacher Personal Leave to authorize the department the option to roll over Teacher Personal Leave to Sick Leave.

Amend First Generation Trust Fund Initiative

- Amend §14202 Chapter 14 17 GCA delaying start date of scholarships from students graduating during SY2018-2019 to students graduating during SY2019-2020 (to be awarded or expended in FY2020). Delaying the start date would also impact cash pressures for University of Guam and Guam Community College annual appropriations and deposits into the Trust Fund.

Consider a Moratorium on expanding Charter School and Charter School enrollment.

- Current enrollment of charter schools is 1,240 at $6,500 per pupil or $8,060,000. Guam Charter School Council proposes increasing enrollments at current Charters as well as adding 2 additional Charters increasing enrollment by 803 students and adding an additional $5,219,500 at $6500 per pupil to the Charter Schools budget. In SY19-20, the Council approved increases in enrollment caps up to 260 additional students adding $1.69 million to the Charters annually.

Increase GRT .5% and earmark .5% increase in collections for GDOE Operations

- Authorize a temporary increase of the Gross Receipts Taxes by half a percent from 4.0% to 4.5% to expire in five years and earmark the increased collections to GDOE.

Tax e-cigarettes / vaping products at a rate similar to tobacco products and earmark proceeds for GDOE Operations

- Taxing e-cigarettes / vaping products at a rate similar to tobacco products will increase revenues going into the Healthy Futures Fund; GDOE would ask that this increased revenue stream be earmarked for GDOE operations.

Amend or change pay status of JROTC Instructors

- Cap payment to JROTC Instructors to the Minimum Instructor Pay prescribed under respective Department of Defense Military Branches (Army, Airforce, Marines) and include

JROTC Instructors among the positions allowed to be unclassified as listed in the Budget Act (PL 34-42, Chapter XII, Section 11.

Amend Mileage Travel Law to include JROTC Program Students and Instructors

- Amend §23111 (e)(3) of 5 GCA Chapter 23 to allow JROTC Program Students ability to avail the use of miles for JROTC Off-island Travel and Competition to generate cost savings.

Leasing of Properties

- Authorize the department to lease the GDOE warehouse in Piti for the purpose of generating revenues, proceeds to be used to offset costs in GDOE operations.
- Authorize the department to lease any excess GDOE properties for purposes of generating revenues, proceeds to be used to offset costs in GDOE operations.
- Amend the law to prioritize the use of Tiyan properties to allow government of Guam agencies to lease existing GDOE buildings, or portions thereof; with revenues generated to be targeted for GDOE.

Amend Standard for Air Conditioning Systems

- Amend 17 GCA Chapter 7 §7115 (c) Standard for Air Conditioning Systems to change warranty period from five years to industry standards. This amendment will likely reduce costs of air conditioners purchased by GDOE,

Transfer Waste Water Pumps on GDOE Property to Guam Waterworks Authority (GWA)

- GDOE is responsible for wastewater pumps at Southern High and Untalan Middle Schools; transferring ownership of these pumps will reduce operational costs of GDOE while ensuring the pumps are under the purview of an agency with the appropriate knowledge and skills.

With four and half months remaining in School Year 2017-18, GDOE will be hard pressed to disencumber essential school based services including trash collection, school breakfast and lunch, internet, photocopying, custodial services or forego utilities payments in our schools and classrooms. I hope we can work together on these initiatives to contain costs or enhance revenues.

We are hopeful for a favorable response and look forward to working with you and members of the Legislature on this matter.

Senseramente,

JON J.P. FERNANDEZ
Superintendent of Education

cc: Chairman and Members, Guam Education Board
Chairman, Committee on Education, Finance & Taxation, 34th Guam Legislature