

I Mina'trentai Ocho Na Liheslaturan Guåhan
BILL STATUS

BILL NO.	SPONSOR	TITLE	DATE INTRODUCED	DATE REFERRED	CMTE REFERRED	FISCAL NOTES	PUBLIC HEARING DATE	DATE COMMITTEE REPORT FILED	NOTES
297-38 (COR)	Sabina Flores Perez Chris Barnett Therese M. Terlaje	AN ACT TO AMEND § 5214(b) OF SUBARTICLE B OF ARTICLE 3, CHAPTER 5, TITLE 5, GUAM CODE ANNOTATED, RELATIVE TO THE SOLE SOURCE PROCUREMENT OF TECHNOLOGY HARDWARE, SOFTWARE, MAINTENANCE, SUPPORT, AND CUSTOMIZATION SERVICES.	3/31/26 8:00 a.m.	4/8/26	Committee on Finance and Government Operations.	Request: 4/8/26 4/20/26			




COMMITTEE ON RULES

Vice Speaker V. Anthony Ada, Chairperson
I Mina'trentai Ocho Na Liheslaturan Guåhan
38th Guam Legislature

April 20, 2026

To: **Rennae V. C. Meno**
Clerk of the Legislature

From: **Vice Speaker V. Anthony Ada** 
Chairperson, Committee on Rules

Subject: **Fiscal Note for Bill No. 297-38 (COR)**

Håfa Adai!

Find the attached, Fiscal Note for the following bill:

Bill No. 297-38 (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 copy the same to Management Information Services (MIS) for posting on our website.



Bureau of Budget & Management Research
Fiscal Note of Bill No. 297-38 (COR)

AN ACT TO AMEND §5214(b) OF SUBARTICLE B OF ARTICLE 3, CHAPTER 5, TITLE 5, GUAM CODE ANNOTATED, RELATIVE TO THE SOLE SOURCE PROCUREMENT OF TECHNOLOGY HARDWARE, SOFTWARE, MAINTENANCE, SUPPORT, AND CUSTOMIZATION SERVICES.

Department/Agency Appropriation Information

Dept./Agency Affected: Department of Administration (DOA)		Dept./Agency Head: Birn, Edward M., Director	
Department's General Fund (GF) appropriation(s) to date:		\$11,036,842	
Department's Other Fund (Specify) appropriation(s) to date: Indirect Cost Fund (\$947,521) & Limited Gaming Fund (\$54,246)		\$1,001,767	
Total Department/Agency Appropriation(s) to date:		\$12,038,609	

Fund Source Information of Proposed Appropriation

	General Fund:	Special Fund:	Total:
FY 2025 Unreserved Fund Balance	\$0	\$0	\$0
FY 2026 Adopted Revenues	\$0	\$0	\$0
FY 2026 Appro. (P.L. 38-60)	\$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 2026 (if applicable)	FY 2027	FY 2028	FY 2029	FY 2030
General Fund	\$0	\$0	\$0	\$0	\$0	\$0
Special Fund	\$0	\$0	\$0	\$0	\$0	\$0
Total	1/	\$0	\$0	\$0	\$0	\$0

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|---|-------------------------------------|---------|--------|
| 1. Does the bill contain "revenue generating" provisions?
If Yes, see attachment | | // Yes | /X/ No |
| 2. Is amount appropriated adequate to fund the intent of the appropriation?
If no, what is the additional amount required? \$ _____ | /X/ N/A | // Yes | // No |
| 3. Does the Bill establish a new program/agency?
If yes, will the program duplicate existing programs/agencies?
Is there a federal mandate to establish the program/agency? | /X/ N/A | // Yes | /X/ No |
| 4. Will the enactment of this Bill require new physical facilities? | | // Yes | /X/ No |
| 5. Was Fiscal Note coordinated with the affected dept/agency?
// Requested agency comments not received by due date: | If no, indicate reason:
// Other | /X/ Yes | // No |

Analyst: <u>Raymond Rieta, BMA IV</u>	Date: <u>4/20/26</u>	Director: <u>Lester L. Carlson, Jr., Director</u>	Date: <u>APR 20 2026</u>
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Notes:
 // See Additional Comments.

Bureau of Budget & Management Research Additional Comments on Bill No. 297-38 (COR)

The intent of Bill No. 297-38 is to optimize and streamline procurement of technology, hardware, software, maintenance, support, and/or customization services specifically for sole source procurement by proposing to increase the maximum term for sole-source technology contracts from the current **1-year base with 4 annual renewals** (5 years total) to a **5-year base with two 5-year renewals** (15 years total).

Based on comments received from the Department of Administration (DOA), the Bill as proposed does not directly impact DOA or its operations. However, they add that the Bill may have an impact on technology costs government wide and suggest further comment be requested from the Office of Technology (OTECH).

The **Fiscal Impact Analysis** received from the OTECH is summarized as follows:

1. Administrative Cost Savings

- Under current law, the government must execute renewal determinations and paperwork every 12 months.
 - **Reduced Man-Hours and Operational Efficiency:** By moving to a 5-year cycle, the General Services Agency (GSA) and the OTECH reduce the frequency of administrative work by 80% and can redirect focus from repetitive renewals to competitive solicitations for other critical goods and services.

2. Economies of Scale and Price Stability

- Sole-source vendors often charge a premium for short-term commitments due to the risk of contract termination.
 - **Price Locks and Lower Amortization:** A 5-year base term allows the Government of Guam to negotiate fixed pricing or capped escalation rates, protecting the General Fund from annual inflation in the SaaS (Software as a Service) and hardware markets. Cost savings can be significant with volume or group pricing (up to 20% for hardware, and up to 5% overall for SaaS or software licensing). Spreading the costs of implementation and customization services over a 15-year lifecycle can reduce the Total Cost of Ownership (TCO).

3. Risk of Vendor Lock-In

- Although longer terms offer stability, they carry a fiscal risk of being tied to outdated technology.
 - **Mitigation Cost:** The Bill requires the Chief Technology Officer (CTO) to approve renewals based on a cost-benefit analysis and business case plan ensuring GovGuam isn't paying for software that no longer serves a purpose, or obsolete hardware that no longer functions effectively.

4. Risk of Inadequate Resources for OTECH.

- Section 2 of the Bill requires consultation with the CTO or a designee with "relevant technical expertise", and a cost-benefit analysis and business case plan".
 - **Personnel Risk:** This requirement will place an additional massive amount of fiscal authority in a single politically appointed CTO. Should the CTO lack deep knowledge of a specific niche (e.g., specialized medical software or maritime tracking), the "consultation" may be inadequate for agency requests.

The OTECH further provides the following **Technical & Fiscal Recommendations** and **Final Assessment** of the Bill:

- **Audit Requirements:** "Market Comparison" should be conducted to ensure the sole-source status remains valid in a rapidly changing tech landscape.
- **Technology Strategic Plan:** The development and execution of a Technology Strategic Plan will be beneficial to the successful implementation of this measure and the evaluation of the relevant documentation to be considered.
- **Budget Alignment:** The Bill should be paired with language ensuring the 5-year commitments are subject to the availability of funds.
- **Clarity on "Proprietary":** The Bill specifically applies to "proprietary (not open source or freely licensed)" technology. This is fiscally sound as it prevents agencies from locking into 15-year sole-source deals for software that could otherwise be competitively bid through alternative open-source integrators.

As per the OTECH, Bill No. 297-38 is likely to be fiscally positive over a 10-year horizon. As its proposed amendments would reduce the frequency of competitive checks, the cost of technology implementation and the administrative burden of annual renewals would outweigh the benefits of the 1-year cycle. Additionally, the inclusion of the CTO in the process provides a necessary technical guardrail to prevent wasteful spending on obsolete systems. A well-developed technology strategic plan will be critical for the successful implementation of this measure.