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
374-38 (LS)	Committee on Child Welfare, Youth Affairs, Senior Citizens, Women's Affairs, Disability Services, the Arts, Culture, Historic Preservation and *Hagåtña* Restoration by request of *I Kongressun Manhoben Guåhan* , the Guam Youth Congress, in accordance with 2 GCA § 7102	AN ACT TO *ADD* A NEW ARTICLE 16 TO CHAPTER 77, TITLE 12, GUAM CODE ANNOTATED, RELATIVE TO PROVIDING TAX CREDITS TO BUSINESSES WHO PAY OFF EDUCATIONAL EXPENSES FOR THEIR EMPLOYEES, TO BE KNOWN AS THE "EMPLOYEE INVESTMENT ACT OF 2025."	10/15/26 12:58 p.m. ^10/28/26 10:42 a.m.	10/29/26	Committee on Finance and Government Operations.	Request: 10/29/26 11/4/26			

COMMITTEE ON RULES

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

November 4, 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. 374-38 (LS)**

Håfa Adai!

Find the attached, Fiscal Note for the following bill:

Bill No. 374-38 (LS).

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. 374-38 (LS)

AN ACT TO *ADD* A NEW ARTICLE 15 TO CHAPTER 77, TITLE 12, GUAM CODE ANNOTATED, RELATIVE TO PROVIDING TAX CREDITS TO BUSINESSES WHO PAY OFF EDUCATIONAL EXPENSES FOR THEIR EMPLOYEES, TO BE KNOWN AS THE "EMPLOYEE INVESTMENT ACT OF 2025."

Department/Agency Appropriation Information	
Dept./Agency Affected: Guam Economic Development Authority	Dept./Agency Head: Christina D. Garcia, Chief Executive Officer/Administrator
Department's anticipated revenues to date:	$4,404,743
Department's appropriation(s) to date:	$0
Total Department/Agency revenues to date:	$4,404,743

Fund Source Information of Proposed Appropriation	General Fund:	(Specify Special Fund):	Total:
FY 2026 Unreserved Fund Balance		$0	$0
FY 2027 Adopted Revenues	$0	$0	$0
FY 2027 Appro. (P.L. 38-136)	$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 2027 (if applicable)	FY 2028	FY 2029	FY 2030	FY 2031
General Fund 1/	$0	$0	$0	$0	$0	$0
Special Fund 1/	$0	$0	$0	$0	$0	$0
Total 1/	$0	$0	$0	$0	$0	$0

1. Does the bill contain "revenue generating" provisions? / / Yes /X/ No
   If Yes, see attachment
2. 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
3. Does the Bill establish a new program/agency? /X/ Yes / / 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
4. Will the enactment of this Bill require new physical facilities? / / Yes /X/ No
5. Was Fiscal Note coordinated with the affected dept./agency? If no, indicate reason: /X/ Yes / / No
   / / Requested agency comments not received by due date / / Other:

Analyst: _____ Date: 11/3/26 Director: _____ Date: NOV 0 4 2026
Joaquin A.J. Guerrero II Lester L. Carlson, Jr.

Notes:
1/ See attached comments.

Bureau of Budget and Management Research
Comments on Bill No. 374-38 (LS)

The proposed legislation intends to add a new Article 15 to Chapter 77, Title 12 of the Guam Code Annotated (GCA), to be known as the "Employee Investment Act of 2025." The purpose of this new article is to promote a public-private partnership approach to workforce development by establishing a tax credit program to incentivize employers in Guam to invest in their employees' education, training, and professional development. This tax credit program will authorize tax credits to businesses who provide direct financial support to their employees for eligible educational expenses. As specified in the proposed legislation, an eligible business may claim a credit against its Business Privilege Tax (BPT) liability in an amount equal to or fifty percent (50%) of the eligible educational expense paid during the taxable year, up to a maximum of Two Thousand Dollars ($2,000) pr employee per year. Additionally, the total amount of credits certified by the Guam Economic Development Authority (GEDA) shall not exceed Five Hundred Thousand Dollars ($500,000) in aggregate for all taxpayers in any fiscal year.

Per comments provided by GEDA, they identify a potential noncompliance with § 77103 of Title 12 GCA, "Ceiling of Tax Credit Program," as the aggregate cap in BPT tax credits per fiscal year under the new tax credit program will exceed the $6,875,000 set aside as offsets to the applicable revenue source in the FY 2027 Budget Act (P.L. 38-136). Furthermore, the same $500,000 aggregate cap in tax credits during each fiscal year for the proposed tax credit program in addition to the total offsets in authorized BPT tax credits within the FY 2027 Budget Act will similarly exceed the $6,686,536 set aside for the General Fund Reserve (Rainy Day Fund) for FY 2027. GEDA also recommends that the proposed legislation include the authorization of tax credits from "unpledged" BPT revenues as this omission creates a compliance risk against Guam's pledged BPT revenues to secure multiple series of BPT revenue bonds. Refer to the attached "RE: Testimony of Fiscal Impact of Bill 374-38 (LS) – Employee Investment Act of 2025" provided by GEDA for additional information.

Lastly, the Bureau notes that any tax credits will pose a negative fiscal impact and represent a potential reduction in revenue collections which will adversely affect the government's ability to fund other essential services, including public safety, education, and critical social programs in the annual budget process.

LOURDES A. LEON GUERRERO
Governor of Guam
I Maga'Haga Guahan

JOSHUA F. TENORIO
Lt. Governor of Guam
I Segundo Na Maga'Lahen Guahan

GUAM ECONOMIC DEVELOPMENT AUTHORITY
America in Asia
Aturidåd Inadilånton Ikunumihan Guahan

CHRISTINA D. GARCIA
Chief Executive Officer/Administrator
Ufisiåt Atmenestradoran Eksekutibon Akådi

CARLOS P. BORDALLO
Deputy Administrator
Sigundo Atmenestradót

October 28, 2026

Lester Carlson, Director
Bureau of Budget and Management Research
P.O. Box 2950
Hagatna, Guam 96932-2950

RE: Testimony of Fiscal Impact of Bill 374-38 (LS) – "Employee Investment Act of 2025"

Hafa Adai Director Carlson,

The Guam Economic Development Authority (GEDA) respectfully submits testimony to Bill No. 374-38 (LS), the "Employee Investment Act of 2025." These comments are provided in response to the Bureau of Budget and Management Research's (BBMR) request for input concerning the measure's fiscal impact pursuant to §§9102-9103 of Chapter 9, Title 2, Guam Code Annotated (GCA).

GEDA identifies a potential noncompliance with 12 GCA §77103, "Ceiling on Tax Credit Program," if the $6,875,000 in FY2027 tax credit authorizations represents new tax credit subject to that statutory ceiling. The existing authorization already exceeds the stated General Fund Reserve of $6,868,536 by $6,464. Bill No. 374-38 (LS) would authorize an additional $500,000 annually, increasing total authorizations to $7,375,000 and the amount exceeding the reserves to $506,464. However, because §77103 distinguishes new tax credit authorization from existing tax credits reflected as revenue offsets, BBMR must verify the classification of the $6,875,000 before making a definitive determination of statutory noncompliance.

I. FY2027 Fiscal Impact and Statutory Ceiling Under 12 GCA §77103

Section 77103 provides:

"Notwithstanding any other provision of law, the fiscal year total amount of new tax credits authorized by the Government of Guam shall not exceed the amount set aside by I Liheslatura in the annual budget law as the General Fund Reserve (Deficit Reduction/Rainy Day Fund). All existing tax credits for each fiscal year shall be reflected in each annual General Appropriations Act (annual Government of Guam Budget Act) as offsets to the applicable revenue source."

The language established two important requirements.

First, the total amount of new tax credits authorized during a fiscal year must not exceed the amount set aside in the annual budget law for the General Fund Reserve, also known as the Deficit Reduction/Rainy Day Fund.

Second, existing tax credit must be reflected in the annual General Appropriations act as an offset to the applicable revenue source.

Based on the figures provided for Fiscal Year 2027, the following amounts are identified:

Fiscal item	Amount
FY 2027 Anticipated Collection	$340,242,781
Tax Credit Authorized for FY 2027	$6,875,000
Revenue after tax credits	$333,367,781
General Fund Reserves (Rainy Day Fund)	$6,868,536
Additional tax credit identified for Bill 374-38	$500,000
Total tax credit authorizations, including the proposed bill	$7,375,000
Revenue after currently authorized credits and full utilization of the proposed credit	$332,867,781
Amount by which $6,875,000 exceeds the stated reserve, if entirely classified as new authorizations	$6,464
Amount by which $7,375,000 exceeds the stated reserve, if entirely classified as new authorizations	$506,464

The collection, existing authorization, and reserve figures above are the amounts supplied for this review; the remaining amounts are derived from those figures. The $500,000 annual program limit appears in proposed §771503 (b).

The statutory distinction is material. Section 77103 does not expressly require all existing annual tax credit offset to fall below the reserve. Rather, its ceiling applies to the fiscal year total of a new tax credit authorized, while existing credits must be reflected as offset to the applicable revenue source. Consequently, the comparison of $7,375,000 against $6,868,536 establishes noncompliance only to the extent that the amounts being compared qualify as new authorizations under §77103.

II. Revenues loss and effect on government operations

Tax credit reduces the amount of taxes a participating business would otherwise remit. Consequently, the proposed benefit represents a reduction in government revenue even when no direct appropriation or cash benefit is made to the business.

Depending on the extent and timing of utilization, this could place additional pressure on agency allotment, vender payments, personnel expenses, and funding for essential public service.

The fiscal assessment should distinguish potential long-term workforce benefits from immediate reduction in tax collection. Increased productivity, employee retention, or future economic activity should not be assumed to replace forgone revenues without substantiated analysis.

III. Credits must be limited to Unpledged Business Privilege Taxes

Guam's BPT revenues are pledged to secure multiple series of BPT revenue bonds. The bond covenants governing those obligations restrict action that would impair pledged revenues. As presently drafted, proposed §771505 authorizes tax credits against BPT without expressly limiting those credits to the **unpledged** portion of BPT revenues. This omission creates a compliance risk that must be corrected prior to enactment.

Without an explicit limitation to the unpledged revenues, the bill could be interpreted as authorizing credits against pledged revenues, potentially violating bond covenants and exposing the Government of Guam to legal, financial, and credit-rating risks.

GEDA recommends revising the section heading to be retitled "Credits Against **Unpledged** Business Privilege Tax," and subsection (a) should be amended along the following lines:

"(a) An eligible business may claim a credit against its **unpledged** Business Privilege Tax liability in an amount equal to fifty percent (50%) of eligible educational expenses paid during the taxable year, up to a maximum of Two Thousand Dollars ($2,000) per employee per year.

This language mirrors existing provisions in Chapter 77 and ensures compliance with bond covenants while preserving the Legislature's intent to incentivize private contributions.

IV. Cap on Unpledged Business Privilege Tax Credits

GEDA recommends adding a section to limit the program to five (5) consecutive fiscal years or less, commencing with the first fiscal year expressly authorized by the Legislature. Continuation beyond that period shall require further legislative authorization.

V. Article 15 already exists for the Enhancing Tourism Aesthetics Program

The bill proposed adding a new Article 15 to Chapter 77 of Title 12, using §§771501 through 771506. However, Article 15 already exists and establishes the Enhancing Tourism Aesthetics Program under Public Law 38-114. The existing article occupies §§771501 through 771511.

If the measure advances, the proposed program must be assigned an available article number and corresponding section numbers after verification against the current Code and enacted laws.

VI. Reference to GEDCA must be amended to GEDA

The bill repeatedly refers to the "Guam Economic Development and Commerce Authority" and "GEDCA," including in the credit-certification provisions, application process rulemaking requirements, and annual reporting section. These references should be amended throughout as "Guam Economic Development Authority" and "GEDA," respectively.

Proposed §771505 states "GEDA, in consultation with the Department of Revenue and Taxation (DRT) and the Guam Department of Labor (DOL), shall promulgate rules and regulations necessary to implement this Article in accordance with the Administrative Adjudication Law (AAL), within ninety (90) days of enactment."

GEDA advises that this deadline is not a practical allowance for completing the full rulemaking process. Preparation and legal review of draft rules, Attorney General verification, preparation of the required economic impact statement unless an exemption applies, public notice, public hearing, consideration of comments, a legislative review must all be accommodated. Accordingly, GEDA cannot reliably assure completion of the entire process within ninety days after enactment.

GEDA requests that the Legislature allow sufficient time to complete the applicable Administrative Adjudication Law procedures without imposing a fixed ninety-day completion deadline. Removing the deadline would allow GEDA to develop appropriate program requirements and complete the necessary review and public participation processes before finalizing implementing rules.

GEDA further recommends removing the mandatory consultation language to establish clear responsibility within GEDA for developing and promulgating the programs' rules. This amendment would not preclude GEDA from requesting technical assistance or coordinating with DRT or the DOL when appropriate. Nor would it alter DRT's responsibility under proposed §771504 (d) to administer application of the tax credit.

GEDA recommends replacing proposed §771505 in its entirety with the following language, subject to conforming renumbering of the article and section:

§771505. Rules and Regulations

> "The Guam Economic Development Authority (GEDA) shall promulgate rules and regulations necessary to implement this Article in accordance with the Administrative Adjudication Law."

This amendment would retain the requirement for AAL-compliant rulemaking while eliminating the ninety-day deadline and mandatory interagency consultation.

GEDA supports the policy objective of strengthening Guam's workforce through employer investment in education. However, GEDA recommends that Bill No. 374-38 (LS) not advance in

its present form until BBMR verifies compliance with §77103 and the Legislature addresses the fiscal and administrative safeguards identified above.

GEDA recommends preserving the $500,000 aggregate annual cap; limiting the program to five fiscal years or less, restricting credits to unpledged BPT, correcting the Article 15 numbering conflict, replacing GEDCA reference to GEDA; and revising the ninety-day rulemaking requirement.

These amendments would provide a more fiscally controlled, administratively workable program while maintaining the bill's intended support for employee education and workforce development.

Respectfully submitted,

Christina D. Garcia
Chief Executive Officer / Administrator

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