

GPA 2007 Base Rate Case Village Meetings
(May 29 – June 1)

Issue #13: GPA is experiencing cost savings due to cuts in personnel, yet its labor costs remains constant

The budget law for FY2005 (P.L.27-106) fully restored all GovGuam employees' step increases and subsequent budget laws have not reinstated the freeze on increments. Hence, salaries and wages increased by nearly \$2m. Prior to FY2005 the increase in labor can be attributed to the ongoing typhoon restorations/repairs and the implementation of the apprenticeship program in 2004. The following is a schedule of apprenticeship program expenditures since inception:

Table 1 – Apprenticeship Program Expenditures (since inception)

Description	FY 2004	FY 2005	FY 2006	FY 2007	Total
Total Labor	\$ 325,576	\$ 665,388	\$ 1,025,573	\$ 799,299	\$ 2,815,836
Additional Costs					
Dental/Medical Benefits and Basic Life	\$ 27,912	\$ 79,975	\$ 125,098	\$ 78,919	\$ 311,905
Other Professional Services			981		\$ 981
Safety Equipment	7,942				\$ 7,942
Tools			8,431		\$ 8,431
Training Materials	20,336	74,426	47,377		\$ 142,139
Ads and Subscription		768			\$ 768
Training-On island			5,430		\$ 5,430
Overhead and other Administrative Cost (25% of Direct Labor)	81,394	166,347	256,393	199,825	\$ 703,959
FICA share (7.65% of Gross Salaries)	24,907	50,902	78,456	61,146	\$ 215,411
TOTAL PROGRAM COSTS	\$ 488,067	\$ 1,037,807	\$ 1,547,740	\$ 1,139,189	\$ 4,212,803

Although GPA received some reimbursements for apprentice hours worked and some benefits, all leave taken by apprentices and other benefits are fully absorbed by GPA. Reimbursements amount to less than 50% of the total costs.

Increases in the labor costs can also be attributed to the increase in the Government share of employee benefits. Each fiscal year the government's share for the unfunded retirement liability increases by approximately 1% summarized as follows:

Table 2 – Summary of Government's Share of Unfunded Retirement Liability

Fiscal Year	Legislation	Government Share	Notes
FY01	4GCA Sec 8137	18.60%	
FY02	4GCA Sec 8137	19.8016%	
FY03	PL 27-05	26.00%	10/01/02 - 02/28/03
	PL 27-05	18.00%	03/01/03 - 09/30/03
FY04	PL 27-029	20.81%	
FY05	PL 27-106	20.81%	
FY06	PL 28-068	21.81%	
FY07	PL 28-150	22.65%	

In addition to increases in the government's share in retirement contributions, the government's share of the health & dental insurance premiums increased an average of 12% over the 3 classes of employees in FY06.