



OFFICE OF THE PUBLIC AUDITOR

January 2, 2007

Honorable Mark Forbes
Speaker
29th Guam Legislature
324 W. Soledad Ave.
Hagatna, Guam 96910

Luis S.N. Reyes
Superintendent of Education
Guam Public School System
PO Box DE
Hagatna, Guam 96932

Lourdes Perez
Director
Department of Administration
212 Aspinall Avenue
Hagatna, Guam 96910

RE: OPA Report No. 06-13, Guam Public School System Payroll Analysis

Dear Speaker Forbes, Superintendent Reyes, and Ms. Perez:

This letter is to clarify and dispute recent public statements made by acting Superintendent Ken Chargualaf stating that “[t]he \$172 million budget for the public schools does not take into account the 14-percent pay raises given to certified teachers this year, and the schools need to ask lawmakers to increase the budget to about \$190 million.”¹ In the cash drawdown schedule provided by GPSS to the Office of the Public Auditor, GPSS requested \$155,498,260 for payroll (\$123,695,191 for salaries and \$31,803,069 for benefits).

In conducting the analysis of salaries and benefits, we obtained FY 2006 payroll data and established a historical trend. The analysis showed that payroll expenditure levels, with the exception of lower payroll expenditures seen in five pay periods occurring during the summer months, were fairly consistent.² This decline may be caused by teachers opting for the 9-month pay option instead of the 12-month pay option.

In order to establish actual GPSS General Fund payroll expenditures, we obtained actual locally-funded labor cost data for pay periods ending September 16 and 30, 2006. These pay periods already incorporate the fourteen percent (14%) teacher salary adjustment recommended by DOA and required by P.L. 28-68, as well as the seventeen percent (17%) pay differential authorized for school principals and assistant school principals and any adjustments for incumbent associate and assistant associate superintendents. The average payroll cost of the two pay periods was

¹ Limtiaco, S. “GPSS: Budget leaves out raises.” Pacific Daily News. 27 December 2006.

² The five pay periods with low payroll costs are referred to as “low-periods” in the analysis. All other months are referred to as “average-periods.”

\$5,998,205.³ This average was used as the base amount for “average-periods.” This base amount was discounted to adjust for the periods that historically have lower payroll expenditures.

Based on historical data, the calculation indicates the estimate FY 2007 total costs (salaries and benefits) for positions funded by the General Fund to be \$152,379,574. This amount is also inclusive of the 1.13% increase in the retirement fund contribution rate from 21.81% to 22.94% effective pay period ending October 14, 2006⁴ as mandated by P.L. 28-150, but does not consider any anomalies including changes to personnel (i.e.: retirement, resignation, hiring) that may occur in FY 2007. The analysis was conducted for positions funded by the General Fund only as the \$172,957,804 appropriation in the Budget Act **excludes federally-funded positions**.

While GPSS now claims that the \$155,498,260 projected for payroll does not factor in the pay increases, we would like to point out that the analysis presented in OPA Report No. 06-13 factored in the 14% increase in pay for teachers, pay adjustments for school principals, assistant school principals, and associate superintendents,⁵ as well as the 1.13% increase in retirement fund contribution rate for locally-funded positions. The analysis estimated FY 2007 payroll expenditures to be \$152,379,574, which is \$3,118,686 less than GPSS projected cost of \$155,498,260.

For details, refer to OPA Report No. 06-13. Copies of the report were provided to you on October 30, 2006. The report can also be viewed and downloaded from our website at www.guamopa.org.

Senseramente,



Doris Flores Brooks, CPA, CGFM
Public Auditor

cc: Governor of Guam

³ Actual labor costs for pay period ended September 16, 2006 was \$5,819,867.53. Actual labor costs for pay period ended September 30, 2006 was \$6,176,542.81.

⁴ The first full pay period of FY 2007.

⁵ Labor cost data from pay period ending (PPE) 9/16/06, which partially factors in the increase, and PPE 9/30/06, which already accounts for the increase and other retroactive payments, were used in the analysis.