

Cafeteria Plan Savings (PG0)

Cafeteria Plan Savings (PG0) represents the anticipated savings associated with the implementation of Internal Revenue Service (IRS) Section 125 allowing the pre-tax treatment of selected employee benefits.

Proposed Operating Budget (\$ in thousands)	(\$5,000)
Funds Pending Certification	\$5,000
Proposed Operating Budget with Funds Pending Certification	\$0

Overview

During FY 2001, the District of Columbia Government will institute a Cafeteria Plan benefits program provided the reserve carry-over criteria is met. Pursuant to IRS Section 125, the District will implement a Cafeteria Plan benefits program for the pre-tax treatment of health insurance premiums, offer pre-tax funded flexible medical spending accounts, and pre-tax funded dependent care accounts. It is projected that the plan will save the District \$5,000,000 in FY 2001.

Savings to the District are realized because employee and employer social security and Medicare payroll taxes (7.65 percent) are not assessed against income directed to qualified benefits, flexible medical spending accounts, and dependent care accounts. Employees realize an additional savings by avoiding federal income taxes on the Section 125 qualified expenses. Individual savings are dependent on the benefits profile of each employee and any collective bargaining agreements.

Similar to other large government entities and private corporations, it is anticipated that a third-party vendor will administer this program.

FY 2001 Proposed Operating Budget

(Dollars in Thousands)

Cafeteria Plan Savings

Object Class	Actual FY 1999		Approved FY 2000		Proposed FY 2001		Variance	
Subsidies and Transfers	0		0		-5,000		-5,000	
Subtotal for: Nonpersonal Services (NPS)	0		0		-5,000		-5,000	
Total Expenditures:	0		0		-5,000		-5,000	
Authorized Spending Levels by Revenue Type:	FTEs Dollars		FTEs Dollars		FTEs Dollars		FTEs Dollars	
Local	0	0	0	0	0	-5,000	0	-5,000
Total:	0	0	0	0	0	-5,000	0	-5,000