

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer

DATE: June 3, 2003

SUBJECT: Fiscal Impact Statement (Revised): "Police and Fireman's
Service Longevity Amendment Act of 2003"

REFERENCE: Bill Number 15 - 064 as Introduced

Conclusion

Funds are not sufficient in the FY 2004 through FY 2007 budget and financial plan as currently agreed upon by the Mayor and the Council of the District of Columbia (Council). The current budget and financial plan provides an annual payment of \$69.8 million per year for pay and retirement purposes. **Provisions of the proposed legislation will result in unbudgeted costs associated with the District's funding obligation to the pay and retirement fund of \$0.5 million in FY 2004 and \$2.0 million in FY 2004 through FY 2007.**

Anti-deficiency laws, 31USCA § 1341 (2000) and D.C. Official Code § 47-355.01 *et seq.* (2003), prohibit District officers and employees from exceeding agency appropriations in any fiscal year. Should the District determine that appropriations are available to fully fund all costs associated with the proposed legislation, then these amounts need to be included as budgeted expenditures in all subsequent fiscal years.

Background

The proposed legislation requires the inclusion of active military and other creditable service in the calculation of longevity service eligibility associated with the Police and Fireman's Retirement Fund. The proposed legislation is intended to be comparable to current federal practices. A police officer or firefighter must complete twenty-five years of service to be eligible for longevity pay.

Financial Plan Impact

The District Office of Personnel engaged Cheiron to perform an actuarial study to understand the impacts of the proposed legislation. Cheiron was asked to include active military and other creditable service in calculating funding requirements and retirement payments for the District's Police and Fireman's Retirement Fund. On June 2, 2003, Cheiron concluded that additional funds will be required to pay for the supplementary increment to retirement benefits for eligible recipients.

Funds are not sufficient in the FY 2004 through FY 2007 budget and financial plan to contribute the additional funding requirements that are the result of the provisions of the proposed legislation. Implementing the proposed legislation will require the District to make additional payments of \$0.5 million per year to the annuity supporting the Police and Fireman's Retirement Fund. The table in Figure 1 presents the costs to the District's financial plan.

Figure 1.

Estimated Impact to the Financial Plan				
(\$ in millions)				
FY 2004	FY 2005	FY 2006	FY 2007	4 - Year Total
\$0.5	\$0.5	\$0.5	\$0.5	\$2.0

The District is only obligated to support the retirement payments for eligible retirees beyond the cutoff date of June 30, 1997. Retirement payments for the period prior to the cutoff date are the obligation of the federal government and do not impact the District's financial plan.

The Chief Financial Officer's legislative fiscal analysis is prepared by the Special Projects and Fiscal Analysis Administration in the Office of Research and Analysis. Contact us at 441 4th Street, NW, Suite 400S, Washington D.C., 20001 or view our work on-line at <http://cfo.dc.gov>.