

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: March 31, 2003

SUBJECT: Fiscal Impact Statement (Revised): “Operation Enduring Freedom and Operation Iraqi Freedom Active Duty Pay Differential Extension Emergency Act of 2003”

REFERENCE: Draft Legislation as Introduced – No Bill Number Available

Conclusion

Funds are not sufficient in the FY 2003 through FY 2007 budget and financial plan for this initiative. The Mayor has made a request for the use of reserve funds totaling \$2.75 million to fund all pay and agency costs associated with implementing the proposed legislation for FY 2003. Upon the allocation of the \$2.75 million in existing budgeted reserves, funds will be sufficient in the FY 2003 budget to implement the initiative. However, funds are not sufficient in FY 2004 through FY 2007 because additional resources will be required.

Background

Eligible employees may receive a payroll differential representing the difference between a District employee's salary and their military active duty pay if the latter is smaller. Eligibility requires participation in Operation Enduring Freedom or Operation Iraqi Freedom. The proposed legislation will extend the cessation provision of the District of Columbia Government Comprehensive Merit Personnel Act of 1978 Operation Enduring Freedom Active Duty Pay Differential Temporary Act of 2001¹. The proposed legislation is an amendment to make the payroll benefit permanent. The pilot act expired on September 30, 2002. Reservists reporting to active duty after that date are currently

¹ D.C. Official Code § 1-611.03(a). Original Council action was Bill 14-470; Law 14-116; effective December 18, 2001.

ineligible for the District pay differential. Under the provisions of the proposed legislation the pay differential will become effective retroactive to October 1, 2002 and continue until the person's release from active duty as was authorized similarly in the pilot act.

Financial Plan Impact

The proposed legislation will result in District-wide agency costs of between \$1.68 and \$2.84 million in differential payments, overtime costs, and hiring to fill positions that will be vacant for an extended period of time. For these purposes the Mayor has requested \$2.75 million in existing budget reserves to fund the additional costs in FY 2003. Upon the allocation of \$2.75 million in existing budgeted reserves, funds are sufficient in the FY 2003 budget to provide for these additional costs. At this budget level, the pay differential is expected to be funded for FY 2003 ending on September 30, 2003.

However, the Mayor's proposed FY 2004 through FY 2007 budget and financial plan does not include sufficient funding to continue the payroll benefit after the current fiscal year. Under the current operational and financial conditions the original pilot initiative has been financed for one additional year. It needs to be noted that the bill makes the initiative permanent and as yet has not been budgeted for in additional years.

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>.