

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: NOV -3 2006

SUBJECT: Fiscal Impact Statement: "Compensation Collective Bargaining Agreement Between the Board of Education for the District of Columbia Public Schools and Employees Represented by the American Federation of State, County, and Municipal Employees, Local 2921, Compensation System Changes Approval Resolution of 2006"

REFERENCE: Draft Resolution to be Introduced - No Number Available

Conclusion

Funds are sufficient in the FY 2007 through FY 2010 budget and financial plan to implement the provisions of the proposed resolution. The District of Columbia Public Schools (DCPS) has the resources to cover the costs of the proposed compensation system changes.

Background

The proposed resolution would approve collective bargaining agreement recommended by the School Board of the District of Columbia Public Schools. The Compensation increases would affect 1,518 union members of DCPS. The agreement is between the District's School Board and employees represented by the American Federation of State, County, and Municipal Employees, Local 2921. The current aggregate annual salaries for this population of employees is approximately \$29.1 million.

Terms of the agreement include:

- For FY 2006, a retroactive baseline salary increase of 5.0 percent effective October 1, 2005;

- For FY 2006, a minimum living wage of \$11.75 per hour or the 5.0 percent whichever is greater, applicable to compensation system changes effective June 1, 2006; and
- For FY 2007, a baseline salary increase of 5.0 percent effective January 1, 2007.

In addition, other benefit increases include:

- A one-time bonus of \$500 effective September 27, 2006 (FY 2006);
- The compensation system pay table which currently has an 18 year progression will be compressed to 14 years effective October 1, 2005 (FY 2006);¹ and
- Employees will advance on the pay schedule upon receiving a performance rating of satisfactory for the previous year.

Financial Plan Impact

Funds are sufficient in the DCPS budget and financial plan to approve the proposed resolution and related agreement. The local costs are approximately \$3.2 million in FY 2006 and \$5.2 million in FY 2007. The table in Figure 1 presents the aggregate of these two figures because included are the retroactive provisions of the proposed agreement which will be expended wholly in FY 2007.² The financial plan for the District assumes a 3.1 percent growth in FY 2008 through 2010. The table in Figure 1 presents the personnel service costs impacting the financial plan.³

Figure 1.

Expenditure Impact to the Local Financial Plan				
(\$ in millions)				
FY 2007	FY 2008	FY 2009	FY 2010	4 -Year Total
\$8.4	\$5.8	\$6.0	\$6.2	\$26.4

Fringe benefits are estimated at 15.0 percent for base salaries and 8.0 percent for bonuses. Bonuses are estimated for all employees.

¹ Pay Steps 1 through 5 will progress annually and Pay Steps 6 through 10 will progress bi-annually.

² Base salary and benefits expended against local sources.

³ The D.C. Retirement Board determines local funding requirements periodically through an actuarial study. Adjustments are a funding requirement to the third subsequent fiscal year following implementation to maintain an account's full funding status.