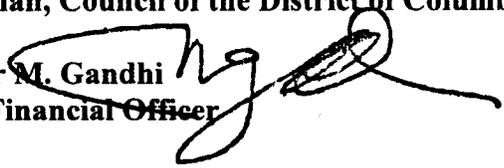


**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: FEB 4 2008

SUBJECT: Revised Fiscal Impact Statement: "Paid Sick and Safe Days Act of 2008"

REFERENCE: B17-197 Amendment in the Nature of a Substitute, February 2008

Conclusion

Funds are not sufficient in the approved FY 2008 – FY 2011 budget and financial plan to implement the provisions of the proposed legislation. The proposed legislation would require the District of Columbia government to offer up to 7 days of paid sick leave to its "When Actually Employed" ("WAE") employees, who do not currently receive such benefits. Because the proposed legislation would go into effect six months after its approval, if enacted, it would not have a fiscal impact for FY 2008, but would have an impact of \$583,586 for the FY 2008-FY2011 period.

Background

B17-197, the Paid Sick and Safe Days Act of 2007 would require that District employers offer one hour of paid leave for every 37 to 87 hours depending on the size of the firm (up to 3 to 7 days of paid sick leave per year) to every employee who has worked for at least 90 days for the same employer, and who spends a substantial amount of his working hours in the District of Columbia. Employees would be able to use their leave benefits for physical or mental illness, preventive medical care, family care, and parental leave. The legislation also provides for paid time off to cover for absences associated with domestic or sexual violence or abuse. Finally, the legislation provides guidelines for administering this policy. This act would be applicable 6 months after it is enacted.

Financial Plan Impact

Employees of the District of Columbia government, excluding those hired under "When Actual Employed" (WAE) provisions, receive paid sick time off at the rate of one hour per

required to give care or attendance to a family member, or when the employee's presence at his or her official duty station would jeopardize the health of others because of exposure to a contagious disease.¹ District government's current sick leave benefits for its employees already exceed the mandate in the proposed legislation. Therefore no additional resources or staff time are required to implement the provisions of the proposed legislation for the District's permanent employees.

District government employees hired under the WAE provisions (governed by section 824 of the District Manual) are not eligible for benefits. These positions are intended to fill a temporary need or temporarily fill a permanent need. The maximum contract term for a WAE position is one year, but no limitations exist on renewals. According to the data obtained from the District of Columbia Department of Human Resources, the District government has 576 WAE employees who have worked for at least 90 days and are therefore eligible to receive the paid sick leave benefits proposed by this legislation.

Table 1 provides the fiscal impact estimates (based on the number of hours worked by and the salaries paid to these 576 employees) for the FY 2008 Budget and FY 2009 – FY 2011 Financial Plan.

	FY 2008	FY2009	FY10	FY11	Total
Value of Sick Pay ^a	NA	\$170,097	\$175,200	\$180,456	\$525,753
Taxes ^b	NA	\$18,711	\$19,272	\$19,850	\$57,833
Net Fiscal Impact	NA	\$188,808	\$194,472	\$200,306	\$583,586

^a A 3 percent cost of living adjustment is included in the analysis.

^b It is assumed that the payroll taxes including Social Security, Medicaid and federal and District unemployment taxes are 11 percent of the base salary.

Additional Comments

For those firms that do not currently offer paid sick leave or paid time off (PTO) benefits, the impact of this legislation could be the equivalent of a one to three percent increase in their payroll related costs.

There are no data on how many firms in the District of Columbia offer paid sick leave or paid time off for personal needs, including sick leave. Based on national estimates of firms offering paid sick leave and paid vacation, the value of the sick leave mandated by B17-197 for DC employees is estimated to range from \$441 to \$637 per employee, or a total of \$41.2 million to \$59.5 million annually in the District. This translates into 0.15-0.20 percent of

¹ DC Personnel Manual, Chapter 12, Section 1242.1. Available online at http://dchr.dc.gov/dcop/frames.asp?doc=/dcop/lib/dcop/12-156-entire_pt_i_of_ch_12.pdf. Accessed on February 2, 2008. Current District rules do not specify physical or mental incapacitation related to stalking, domestic violence or sexual violence, but a reading of the sick leave guidelines suggest that the use of the leave is not limited to specific type of injury or incapacitation. Further rulemaking might be required to conform to the "safe day" mandate of the proposed legislation.

private sector payroll and 0.05-0.08 percent of District gross domestic product. However, the actual economic impact of the bill is different from this estimated value. The final economic impact would depend on, among other things, existing employer and employee relations and the nature of the business. These estimates do not take into consideration the potential benefits from the legislation, such as productivity increases and reduced turnover. On the cost side, firms would have to pay for costs associated with record keeping and administration. Some firms might be forced to hire additional employees to cover increases in unplanned absenteeism. Finally, District firms that currently offer paid sick time or PTO might have to incur compliance costs if their benefit policies do not conform to the requirements of B17-197.

The proposed legislation could over time potentially increase costs to the District government as the District renegotiates its contracts with the private sector. However, because the conditions under which renegotiations would take place are not readily known, it is difficult to estimate, without extensive analysis of each contract, what portion if any of these costs the District government would actually pay.

B17-197 would not impact the District's calculation of reimbursement rates for Alliance or Medicaid provider contracts. Provider agreements set the reimbursement rates at which the District government makes payments as claims arrive. When the Medicaid and Alliance service providers negotiate reimbursement rates with the District government, they base their costs on 2,080 hours of service per employee (52 weeks times 40 hours per week). In other words, the District sets reimbursement rates assuming each employee is paid for full-time, year-round work regardless of the time the employee takes for sick days or vacation days.