

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



Jeffrey S. DeWitt  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Phil Mendelson  
Chairman, Council of the District of Columbia

**FROM:** Jeffrey S. DeWitt  
Chief Financial Officer 

**DATE:** July 6, 2015

**SUBJECT:** Fiscal Impact Statement – Injured Worker Fair Pay Amendment Act of 2015

**REFERENCE:** Bill 21-30, Committee Print shared with the Office of Revenue Analysis on July 1, 2015

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**Conclusion**

Funds are not sufficient in the fiscal year 2016 through fiscal year 2019 budget and financial plan to implement the bill. The District can absorb the costs in fiscal year 2016, but not in the out-years of the financial plan when the bill will cost \$1.2 million to \$1.3 million a year to implement.

**Background**

This bill gives raises<sup>1</sup> to District employees who receive workers' compensation whenever District employees receive raises, regardless of whether or not the raises are classified as cost-of-living adjustments. Currently workers' compensation recipients only receive raises when District employees are given cost-of-living adjustments. They do not receive other raises, such as the 3 percent increases most District employees will get in fiscal years 2016 and 2017, as these are characterized as salary increases, and not statutory cost-of-living adjustments.

**Financial Plan Impact**

Funds are not sufficient in the fiscal year 2016 through fiscal year 2019 budget and financial plan to implement the bill.

In fiscal year 2015, the Office of Finance and Resource Management expects to pay \$12.1 million in workers' compensation. With 3 percent pay increases in fiscal year 2016 and fiscal year 2017,

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<sup>1</sup> By amending the District of Columbia Government Comprehensive Merit Personnel Act of 1978, effective March 3, 1979 (DC Law 2-139; DC Official Code § 1-601.01 *et seq.*).

The Honorable Phil Mendelson

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these expenditures would grow to \$12.5 million and \$12.8 million, respectively. By fiscal year 2019, we estimate that workers' compensation expenditures would be around \$13.3 million.<sup>2</sup>

In fiscal year 2016, the workers' compensation fund will have enough money to pay employees the 3 percent increase. It will have a budget of \$11.4 million plus around \$1.5 million in unspent money from FY 2015, for a total of \$12.9 million in available funds. In the out-years, we do not know how much unspent money will be rolled over. Typically, the non-lapsing fund has \$1.5 million that is unspent each year, but under the terms of the bill, most of that money will be spent in FY 2016 to cover the pay increase. With fund balances nearly exhausted in fiscal year 2016, there will not be enough money in the budget to pay for the increased expenditures in fiscal years 2017 through 2019. The annual budget for the workers' compensation fund for these years is between \$11 million and \$12 million, but with the proposed pay increases, the expenditures will be around \$13 million a year.

<b>Fiscal Impact of Bill 21-30, Injured Worker Fair Pay Amendment Act of 2015 FY 2016 - FY 2019 (dollars in millions)</b>					
	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>Four- Year Total</b>
Budget for injured worker compensation	\$12.9	\$11.6	\$11.8	\$12.0	\$48.3
Projected compensation under bill <sup>1</sup>	\$12.5	\$12.8	\$13.1	\$13.3	\$51.7
<b>Cost</b>	--	<b>\$1.2</b>	<b>\$1.3</b>	<b>\$1.3</b>	<b>\$3.8</b>

Notes:

<sup>1</sup>Includes 3 percent increases in FY 2016 and FY 2017 and 1.75 percent increases in FY 2018 and FY 2019.

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<sup>2</sup> We factored into our analysis annual increases of 1.75 percent in FY 2018 and FY 2019. This is the annual inflator used for budgeting purposes. It accounts for unknown factors, such as increases in workers' compensation recipients and unforeseen raises.