


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: September 18, 2017

SUBJECT: Fiscal Impact Statement – Compensation Collective Bargaining Agreement between the District of Columbia Public Schools (DCPS) and Washington Teachers Union (WTU) Local # 6 of the American Federation of Teachers Emergency Approval Resolution of 2017 and Washington Teachers’ Union and Additional Labor Agreements Funding Temporary Amendment Act of 2017

REFERENCE: Draft legislation sent to the Office of Revenue Analysis on August 15, 2017 and September 12, 2017

Conclusion

Funds are not sufficient in the fiscal year 2017 budget and the fiscal year 2018 through fiscal year 2021 budget and financial plan to implement the collective bargaining agreement (CBA) that would be approved by the proposed resolution. Funds will be sufficient if the D.C. Council approves the Washington Teachers’ Union and Additional Labor Agreements Funding Temporary Amendment Act of 2017¹, as described below.

The agreement, which covers fiscal years 2017 (retroactive) through 2019, will cost a total of \$174.5 million between fiscal years 2017 and 2021. Pay raises and benefit increases for positions affected by the agreement are expected to increase the District of Columbia Public Schools (DCPS) budget by \$15.9 million in fiscal 2017 and \$22.5 million in fiscal 2018, and a total of \$94.6 million between fiscal 2017 and fiscal 2021. These budget increases will cause proportional increases in charter school funding as determined through the Uniform Per Student Funding Formula (UPSFF)², costing \$13.1 million for fiscal 2017 and \$19.1 million for fiscal 2018, and a total of \$79.9 million between fiscal 2017 and fiscal 2021.

¹ Draft legislation sent to the Office of Revenue Analysis on September 12, 2017.

² Section 104 of the Uniform Per Student Funding Formula for Public School and Public Charters Schools Act of 1998, effective March 26, 1999, as amended (D.C. Law 12-207; D.C. Official Code § 38-2903).

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As proposed in the funding legislation, the \$174.5 million cost increase would be funded through a set-aside of additional District revenues certified in June 2017. The legislation also allows DCPS to use one-third of its fiscal year 2018 budget increase, received through the increased UPSFF, to fund the CBA. If Council does not pass this legislation, the CBA will not be funded.

Background

The proposed resolution approves a collective bargaining agreement for the teachers³ of the District of Columbia Public Schools, mutually agreed upon by DCPS and the Washington Teachers' Union, Local #6 of the American Federation of Teachers, AFL-CIO (also known as the WTU)⁴.

The CBA affects the working conditions, pay, and benefits of 4,910 positions in DCPS. Appendix A lists the positions affected. The term "teachers" will be used to refer to these positions, though other personnel like psychologists and social workers are also covered by the agreement.

The outline presented below shows the terms of the agreement that have cost implications.

Salary Increases

DCPS teachers will be due the following increases to their base salaries:

Base Salary Increases Under the Agreement		
2016-2017 school year	2017-2018 school year	2018-2019 school year
4%	3%	2%

Bonuses will not be affected by these increases.

DCPS will pay the 2016-2017 increase to teachers retroactively. The other increases will be incorporated into teachers' biweekly pay checks.

Administrative Premium

The agreement increases from \$34 per hour to \$40 per hour the pay for the following assignments: summer school; Saturday school; after-school programs; class coverage; and other approved, eligible activities. The increased payment will begin in the 2017-2018 school year.

Benefits

The agreement increases the District's contributions towards teachers' dental, optical, and legal service plan premiums.

- Optical: Currently, DCPS provides teachers \$15.40 a month for their optical plan premiums. Under the agreement, the contributions would increase as follows:

³ See Appendix A for the description of personnel impacted by the agreement.

⁴ As ratified by WTU members on September 8, 2017.

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Optical Plan Contributions under the Agreement (per month)				
	Currently	2016-2017	2017-2018	2018-2019
Self/Family	\$15.40	\$15.40	\$16.94	\$18.68

- Dental: For teachers' dental premiums, DCPS currently provides \$30 a month for teachers with single coverage and \$60 a month for those with family coverage. The agreement increases the contributions towards the dental premiums as follows:

Dental Plan Contributions under the Agreement (per month)				
	Currently	2016-2017	2017-2018	2018-2019
Self	\$30.00	\$30.00	\$34.58	\$36.30
Family	\$60.00	\$60.00	\$69.16	\$72.60

- Legal Services: DCPS currently contributes \$11.50 per pay period for participation in a legal insurance plan contracted by the WTU. The agreement would increase DCPS's contributions towards the plan as follows:

Legal Services Plan Contributions under the Agreement (per pay period)				
	Currently	2016-2017	2017-2018	2018-2019
Self	\$11.50	\$12.50	\$13.00	\$13.50

Impact on Charter Schools

While the CBA itself does not require the District to pay teachers or other personnel of charter schools, additional expenses in the DCPS budget and financial plan will require corresponding changes to the UPSFF that will require additional payments to public charter schools. Such payments to public charter schools are not restricted to teacher salaries and benefits. Charter schools will individually determine the use of the funding increase. Appendix B below lists the revised UPSFF for fiscal year 2017 and fiscal year 2018, as provided for in the funding legislation, as well as the projected UPSFF during the financial plan.

Financial Plan Impact

Funds are currently not sufficient in the fiscal year 2018 through fiscal year 2021 budget and financial plan to implement the resolution approving the CBA. Implementing the agreement requires budgetary action to (1) make additional revenue, certified by the CFO in June 2017, available for the contract provisions and additional charter school payments (including their deposit into a non-lapsing account) and (2) revise the restriction⁵ on using any of the fiscal year 2018 UPSFF increase for collective bargaining agreements to allow DCPS to access one-third (one

⁵ Section 4003 of the Fiscal Year 2018 Budget Support Act of 2017, effective August 29, 2017 (D.C. Law 22-16; 64 DCR 6581).

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percentage point) for payments under the agreement. The draft bill "Washington Teachers' Union and Additional Labor Agreements Funding Amendment Act of 2017" as provided to the Office of Revenue Analysis on September 12, 2017, meets these requirements and can fully fund the costs of the resolution.

Under the CBA, the cost of union salaries and benefits for fiscal year 2017 (retroactive) will be \$422.5 million and is estimated to grow to \$460.8 by fiscal year 2021, (including assumed growth in fiscal years 2020 and 2021 not covered by the contract). Growth in the DCPS budget assumed in the financial plan can accommodate some of the salary increases. Making one percentage point of the fiscal year 2018 UPSFF increase available pays for additional costs, as follows:

Collective Bargaining Agreement Between DCPS and WTU (in millions) Including revision to Section 4003 of BSA Subtitle IV.A.						
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
District of Columbia Public Schools						
DCPS teachers' salary and benefits under agreement: ⁽¹⁾	\$422.5	\$436.8	\$445.5	\$453.1	\$460.8	\$2,218.6
- Current DCPS budget for teacher salaries and benefits:	\$406.6	\$406.6	\$416.4	\$426.3	\$436.5	\$2,091.0
- 1% of FY 2018 UPSFF increase:	\$0.0	\$7.7	\$7.8	\$8.0	\$8.1	\$31.5
Net Cost of Agreement, DCPS	\$15.9	\$22.5	\$21.3	\$18.8	\$16.1	\$94.6
Required Payments to DC Public Charter Schools:	\$13.1	\$19.1	\$18.1	\$15.9	\$13.7	\$79.9
Total Net Cost of Agreement (DCPS +DCPCS)	\$29.0	\$41.6	\$39.4	\$34.7	\$29.8	\$174.5

Table Notes:

(1) Fiscal year 2020 and fiscal year 2021 costs include an assumed growth rate of 1.7 percent; the contract expires at the end of fiscal year 2019.

Proposed funding legislation provided to the Office of Revenue Analysis on September 12, 2017 would allow the use of \$177.1 million, which is more than sufficient to fund the net costs of the agreement. These funds come from revenue certified in the CFO's June 2017 revenue forecast, which were not anticipated as of the previous revenue forecast and were not necessary to fund costs incorporated into the fiscal year 2018 through fiscal year 2021 budget and financial plan. Under the Fiscal Year 2018 Budget Support Act of 2017⁶, a portion of any new revenues identified in June 2017 and September 2017 were dedicated to offset revenue loss from an eventual dedication of sales taxes for the Washington Area Metropolitan Transit Authority, and this dedication would have occurred through Paygo Capital. Under the proposed funding legislation, the Mayor would be allowed to reprogram these new revenues from Paygo Capital to Workforce Investments. Therefore 100 percent of the new revenues would be available for the costs of the WTU collective bargaining agreement. Since the revenue increase is primarily front-loaded, the legislation's provision to make the Workforce Investments account non-lapsing is necessary to capture the fiscal year 2017 revenue increase and fund the costs of the collective bargaining agreement in fiscal year 2018 and subsequent fiscal years.

⁶ See Sections 7101 and 7102, Revised Revenue Contingency List Act of 2017, effective August 29, 2017 (D.C. Law 22-16; 64 DCR 6581).

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APPENDIX A: DCPS positions affected by the agreement

Employees in the occupational bargaining units and job classifications defined by the Agreement, including all full time and regular part time employees at ET 15 pay plan positions of Attendance Officer, Athletic Trainer, Audio Visual Coordinator, Counselor (elementary or secondary school), Curriculum Development Specialist, Hearing Therapist, Instructional Coach, Job Coordinator, Librarian (elementary or secondary school), Literacy Professional Developer, Numeracy Professional Developer, Placement Counselor, Psychiatric Social Worker, Reading Specialist, School Psychologist, School Social Worker, Speech and Language Pathologist, Teacher (elementary or secondary school), and Junior ROTC Instructor (holding BA); all full time and regular part time employees at ET 15/11 pay plan/grade position of Counselor (secondary school) and 15/12 pay plan/grade positions of Mentor Teacher and Incarcerated Youth Services (IYP and YSC); ET 15/12 and ET 15/11 employees, who work twelve or eleven months per year and are entitled to the same working conditions as all ET 15 bargaining unit members; all full-time employees who work a 40 hour week and 52 weeks a year in a probationary or permanent status, who are rendering educational services and receive compensation pursuant to the "EG" salary schedule, excluding supervisors, management personnel, confidential employees, employees engaged in personnel work other than in purely clerical capacities, employees in the ET bargaining unit, any other personnel currently represented by a labor organization and employees engaged in administering the provisions of Title 1, Section 618 of the D.C. Code, in the following job classifications: Counselor, Education Technician, Guidance Counselor, Instructor, Teacher (adult education, bilingual education, secondary education, special education, or vocational education), Teacher Coordinator, Training Instructor, Training Specialist, Vocational Rehabilitation Specialist, and Junior ROTC instructors (without Bachelor's); and any employee in a new title, classification or category created by DCPS, which has a community of interest with employees in the WTU bargaining unit.

APPENDIX B: Details on cost calculations

DCPS: Cost of increases in salaries and benefits for DCPS teachers

DCPS costs affected by the Agreement (in millions of dollars)							
	Currently	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Five-Year Total
Teacher Base Salaries	\$393.5	\$409.2	\$421.5	\$429.9	\$437.2	\$444.7	\$2,142.5
Dental Benefits	\$2.3	\$2.3	\$2.7	\$2.8	\$2.9	\$2.9	\$13.7
Optical Benefits	\$0.9	\$0.9	\$1.0	\$1.1	\$1.1	\$1.1	\$5.1
Legal Services	\$1.4	\$1.5	\$1.6	\$1.7	\$1.7	\$1.7	\$8.3
Administrative Premiums	\$8.5	\$8.5	\$10.0	\$10.0	\$10.2	\$10.3	\$49.0
TOTAL	\$406.6	\$422.5	\$436.8	\$445.5	\$453.1	\$460.8	\$2,218.6
Table Notes:							
- Teacher base salaries include a 1.45 percent Medicaid tax.							
- We assume a 1.7 percent increase in costs for fiscal years 2020 and 2021.							

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Required Payments to Charters: Details

The increase in DCPS budgets required to fund the contract imply an increase in the UPSFF base level, therefore the District will owe additional payments to public charter schools, as follows:

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	TOTAL
Implied new UPSFF base level: ⁽¹⁾	\$9,885	\$10,257	\$10,447	\$10,624	\$10,805	
Implied new DCPCS instructional budget:	\$621.8	\$688.1	\$700.9	\$712.8	\$724.9	\$3,448.6
- DCPCS instructional budget in current financial plan:	\$608.7	\$669.1	\$682.8	\$696.9	\$711.3	\$3,368.8
Net Cost of Agreement, DCPCS	\$13.1	\$19.1	\$18.1	\$15.9	\$13.7	\$79.9

Table Notes:

(1) UPSFF amounts assumed for fiscal year 2019 – fiscal year 2021 are rounded down to the next dollar.