

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: June 11, 2001

SUBJECT: Fiscal Impact Statement: "Electronic Insurance Commerce Act of 2001"

REFERENCE: Bill Number 14-157 as Introduced

Conclusion

Funds are not sufficient in the FY 2002 through FY 2005 budget and financial plan because additional staff and resources will be required to implement the provisions of the proposed legislation. **It is estimated that the provisions of this legislation will result in unbudgeted costs of approximately \$1 million in FY 2002 through FY 2005.**

Background

The purpose of the proposed legislation is to establish a regulatory framework that will provide an efficient, ethical and secure electronic market space in which non-residents of the United States (individuals, groups, and corporations) may purchase financial services and related products from United States and alien companies. Non-residents of the United States will be authorized to transact business in the electronic market place by the Department of Insurance and Securities Regulation (DISR). The provisions of the proposed legislation will establish the arbitration procedures for the sale of insurance products through electronic commerce and create an assessment mechanism for the arbitration system.

Financial Plan Impact

The proposed legislation will require the hiring of four additional staff members. DISR will hire one hearing officer, two customer service representatives, and one paralegal specialist. The personal services (PS) cost estimates assume the following:

1. Fringe benefits to be 14 percent of base salaries; and
2. An annual growth rate of 3.3 percent beginning in FY 2003.

Nonpersonal services (NPS) costs reflect a one-time expenditure of \$40,000 (\$10,000 per new staff member). NPS costs include initial equipment and startup costs such as telephone installation, office equipment, computers, and furniture.

Impact to the Financial Plan

Expenditures Impacting the Financial Plan (\$ in 000s)					
Item	FY 2002	FY 2003	FY 2004	FY 2005	4-Year Total
Hearing Officer	\$ 62	\$ 64	\$ 66	\$ 69	\$ 261
Customer Service Representatives	124	128	133	137	522
Paralegal	44	45	47	48	184
PS Subtotal	\$ 230	\$237	\$246	\$254	\$ 967
NPS	\$ 40	\$ 0	\$ 0	\$ 0	\$ 40
Net Annual Impact	\$ 270	\$237	\$246	\$254	\$1,007