

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: March 4, 2003

SUBJECT: Fiscal Impact Statement: "Operation Enduring Freedom and Potential Conflict With Iraq Active Duty Pay Differential Extension Emergency Act of 2003"

REFERENCE: Draft Legislation as Introduced – No Bill Number Available

Conclusion

Funds are not sufficient in the FY 2003 through FY 2006 budget and financial plan because the proposed legislation will require additional resources. **District agencies do not have the staff and resources to implement the provisions of the proposed legislation. The proposed legislation will result in unbudgeted costs of approximately \$1.68 million in FY 2003 and \$7.28 million in FY 2003 through FY 2006.**

These estimates represent the minimum resources required to fund the initiative under the present environments as any escalation of overseas conflicts, aggressive activation of military reserves, or extended activation of military duty could cause significant increases to personnel costs.

Anti-deficiency laws, 31USCA § 1341 (2000) and D.C. Official Code § 47-355.01 *et seq.* (2003), prohibit District officers and employees from exceeding agency appropriations in any fiscal year. Should the District determine that funding is available to absorb the additional costs in FY 2003, then the fiscal impact would be zero. For subsequent years, the additional expenditures must be included as budgeted expenditures.

Background

Eligible employees may receive a payroll differential representing the difference between a District employee's salary and their military active duty pay if the latter is smaller. Eligibility requires participation in Operation Enduring Freedom or the potential conflict in Iraq. The proposed legislation is an amendment to the District of Columbia Government Comprehensive Merit Personnel Act of 1978 Operation Enduring Freedom Active Duty Pay Differential Temporary Act of 2001¹ making the payroll benefit permanent.

The pilot act expired on September 30, 2002. Reservists reporting to active duty after that date are currently ineligible for the District pay differential. Under the provisions of the proposed legislation the pay differential will become effective immediately and continue until the person's release from active duty as was authorized similarly in the pilot act.

Financial Plan Impact

Funds are not sufficient in the FY 2003 budget to provide for additional pay differential costs necessary to offset the agency operational and overtime pressures due to an increase in staffing reductions. Barring any offsets in the current spending plan, the table in figure 1 presents the costs to local funds. Estimated annualized pay differentials for an individual are between \$17,700 and \$29,000.

Figure 1.

Impact to the Financial Plan (\$ in millions)				
FY 2003	FY 2004	FY 2005	FY 2006	4-Year Total
\$1.68	\$1.80	\$1.87	\$1.93	\$7.28

Prior fiscal analysis² on this initiative certified that the District's budget and financial plan could fund 27 total FTE positions. Aggressive activation of reservists will now cause spending pressures on the agencies that employ the effected District personnel. With the District government currently contributing more than 120 persons as active duty personnel, agency funding and operational requirements necessitate additional resources.

Although these projections are based on the assumption that 120 persons who work for the District government will be required to report for active military duty for Operation Enduring Freedom or a possible conflict with the Iraqis, an escalation of overseas military theaters of operation or aggressive activation of U.S. military reserves (or

¹ D.C. Official Code § 1-611.03(a). Original Council action was Bill 14-470; Law 14-116; effective December 18, 2001.

² December 14, 2001 and August 28, 2002.

civilians) may result in very significant impacts to the District's budget and financial plan. As the District reporting systems currently do not track an individuals reserve status the potential impacts may be much larger than those presented in Figure 1.

Individuals who return from active duty are also subject to subsequent re-activation. A single individual may leave and return several times until they either retire from the military or the U.S. military engagements cease. Extended tours of duty would also contribute to additional costs. Tours of duty that last 18 or 24 months blending overseas and domestic duty, and invoke Operation Enduring Freedom or an Iraqi conflict, could extend an individual's District pay differential over a period of years.

The Chief Financial Officer's legislative fiscal analysis is prepared by the Special Projects and Fiscal Analysis Administration in the Office of Research and Analysis. Contact us at 441 4th Street, NW, Suite 400S, Washington D.C., 20001 or view our work on-line at <http://cfo.dc.gov>.