

**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 [signature]  
Chief Financial Officer

**DATE:** July 13, 2004

**SUBJECT:** Fiscal Impact Statement: "District of Columbia Living Wage Act of 2004"

**REFERENCE:** Draft Legislation to be Introduced - No Bill Number Available

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**Conclusion**

Funds are not sufficient in the FY 2005 through FY 2008 budget and financial plan as agreed to by the Mayor and the Council of the District of Columbia. The proposed legislation would require additional staff at an unbudgeted cost of \$62,000 in FY 2005 and \$264,000 in FY 2005 through FY 2008. Costs due to additional contract monitoring requirements cannot be quantified at this time. For at least some contracts, contract costs are likely to be higher in the future as a result of this bill. That impact cannot be quantified at this time.

Federal and local anti-deficiency laws, 31USCA § 1341 (2000) and D.C. Official Code § 47-355.01 *et Sequitor* (2003), prohibit District officers and employees from exceeding appropriations in any fiscal year. If the District determines that funding is available to absorb the additional costs then the fiscal impact will be zero. If the District determines that funding is available to implement the legislation then it must be funded in subsequent fiscal years.

**Background**

The proposed legislation requires that all recipients of District contracts, grants, loans, industrial revenue bonds, and tax increment financing in an amount greater than or equal to \$100,000 in any twelve month period pay their employees no less than \$10.50 per hour. The proposed legislation exempts contracts or agreements which are subject to federal wage level determinations, contracts where trainees are provided stipends or training wages, or wages established by a bona fide collective bargaining agreement. The provisions of the proposed legislation will also apply to subcontractual agreements.

In addition, the proposed legislation requires certain notifications, dispute and compliance measures. The Mayor may grant conditional waivers.

### Financial Plan Impact

Funds are not sufficient in the FY 2005 through FY 2008 budget and financial plan as agreed to by the Mayor and the Council of the District of Columbia. The Department of Employment Services will require an additional employees in order to monitor the requirements made by the bill's provisions and to process claims<sup>1</sup>. Additional non-personal service resources will also be required. The table in figure 1 presents the estimated impact to the financial plan.

Figure 1.

Estimated Impact to the Financial Plan					
(\$ in 000s)					
Item	FY 2005	FY 2006	FY 2007	FY 2008	4 - Year Total
Staff	(\$51.6)	(\$55.5)	(\$55.5)	(\$55.5)	(\$218.1)
NPS & AS&T	(10.8)	(11.7)	(11.7)	(11.7)	(45.9)
<b>Net Annual Impact</b>	<b>(\$62.4)</b>	<b>(\$67.2)</b>	<b>(\$67.2)</b>	<b>(\$67.2)</b>	<b>(\$264.0)</b>

In addition, contracting officers throughout the District government will be required to meet additional monitoring and claims processing requirements. Financial impacts due to such operational pressures cannot be quantified at this time. Costs of new contracts are expected to increase, although no specific estimate of this is available.

For each hour of work costing \$6.50<sup>2</sup>, the cost would increase by \$4.00 to \$10.50 under the proposed legislation. In negotiating contracts, part of this increase will be passed on to the contractor and part to the District. When the economy is tight and contractors have fewer options, they are likely to bear more of the cost. When contractors are choosing among several jobs, the District will bear a greater share.

Agencies must remain within approved budget authority when awarding contracts. The District's minimum wage laws<sup>3</sup> require all entities to pay a minimum of one dollar (\$1.00) more than the minimum wage established in federal law<sup>4</sup>. Currently, this is \$6.15 per hour for the 40-hour workweek.

<sup>1</sup> Personal Service costs include base salary and benefits, and include increases as a result of a collective bargaining agreement.

<sup>2</sup> D.C. Official Code Title 32 § 1003 *et Sequitor*; effective March 25, 1993.

<sup>3</sup> Ibid.

<sup>4</sup> Fair Labor Standards Act; 29 U.S.C.S § 206 *et Sequitor*.