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

Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO:	**The Honorable Vincent C. Gray** **Chairman, Council of the District of Columbia**
FROM:	**Natwar M. Gandhi** **Chief Financial Officer**
DATE:	**June 2, 2009**
SUBJECT:	**Fiscal Impact Statement – "The Anti-Privatization of District of Columbia Community Services Approval Emergency Act of 2009"**
REFERENCE:	**Draft- No Bill Number**

Conclusion

Funds are not sufficient in the FY 2009 budget and the proposed FY 2010 through FY 2013 budget and financial plan to implement the provisions of the proposed legislation. The proposed legislation would require a minimum of $1.6 million in funds for severance pay in FY 2010, which is not accounted for in the proposed FY 2010 through FY 2013 budget and financial plan. The proposed subtitle would result in other costs, but these cannot be estimated at this time.

Background

The proposed legislation would require the Mayor and the Department of Health (DOH) *for the remainder of FY 2009* to suspend any plans to transfer substance abuse and women's services provided by the Alcohol Prevention and Recovery Administration (APRA) to private providers, or use DOH funding to implement privatization contracts.

Financial Plan Impact

Funds are not sufficient in the FY 2009 budget and the proposed FY 2010 through FY 2013 budget and financial plan to implement the provisions of the proposed legislation.

The FY 2010 budget was developed on the assumption that privatization would be implemented in FY 2010 and that 26.5 Full Time Equivalent District employees would be terminated by the end of FY 2009. A sufficient amount of savings was identified in DOH's FY 2009 budget to allow for approximately $1.6 million in severance pay to be given to these employees before the end of the FY 2009. The proposed legislation would delay these payments until FY 2010. However, since the proposed FY 2010 budget allocates no funds for severance, a *minimum* of $1.6 million in FY 2010 would be required to make these payments. Should the severance payments be made in FY 2010, this amount is likely to be higher as a result of salary increases (COLA or Step) and accrual of additional leave time.

This legislation would also require DOH to incur other costs that were not accounted for in the FY 2009 budget and the proposed FY 2010 through FY 2013 budget and financial plan. First, by prohibiting Reduction in Force Notices from being issued until FY 2010, the proposed legislation could potentially require DOH to continue to employ, for an additional 30 days, individuals who are to be terminated.[1] Since the employees would continue to work, they would provide services; however, such service may not be needed and there are no funds budgeted to pay the employees for the services. Second, APRA would have to delay publication of the Request For Proposals (RFP) for Detoxification Services until FY 2010 and subsequently would delay award until January 2010. For those three months, APRA would be responsible for supporting current clients with its existing contractor. In conjunction with the Agency Fiscal Officer[2], the OCFO estimates that the resulting expenditures would be $625,000 per month (250 clients at $2,500 per client) or $1,875,000 for the three month period. While APRA still would have had to incur similar expenditures under the contract resulting from the RFP, the rate under the new contract is expected to be lower. This is because the new contract would benefit from economies of scale, as it would be for Referral and Assessment Services, in addition to Detoxification Services. However, since that rate has to be determined, it is not possible to estimate the incremental cost associated with the delay in the RFP.

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[1] Per union contracts, the District is required to give 30-days notice.
[2] An OCFO employee.