

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF RISK MANAGEMENT**



Fiscal Year 2020 Budget Oversight Hearing

Testimony of
Jed Ross
Chief Risk Officer and Director

Before the
Committee on Government Operations
The Honorable Brandon Todd, Chairperson

John A. Wilson Building
Room 412
1350 Pennsylvania Avenue, NW
Washington, DC 20004

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2:00 PM

Good afternoon, Chairman Todd, members, and staff of the Committee on Government Operations. I am Jed Ross, the Chief Risk Officer and Director of the District of Columbia's Office of Risk Management (ORM). I am pleased to testify before you today not only as the Director of ORM, but also as a long-time District resident and advocate of District government, believing wholeheartedly in the Mayor's initiatives and strategic investments that support our shared DC Values.

Last Month Mayor Muriel Bowser presented her Fiscal Year 2020 (FY2020) Budget and Financial Plan, the District's 24th consecutive balanced budget. The \$15.5 billion budget proposal includes investments in public safety, affordable housing, education, families, transportation, seniors, protecting DC values and more. These investments reflect the key priorities identified by District residents at Budget Engagement Forums and DC Government employee telephone town halls during the budget formulation process.

Today, my testimony will focus on ORM's four (4) budget lines:

1. The Office of Risk Management;
2. The Captive Insurance Agency;
3. The Employees' Compensation Fund; and
4. The Settlements and Judgments Fund.

Office of Risk Management (RK0)

In the Mayor's FY2020 budget, ORM's operating budget is \$4,712,654, with 34.0 Full-Time Equivalent (FTEs). The FY2020 budget reflects an increase of \$610,190, over FY2019. This budget increase: (1) provides additional funds to support the ERisk software platform; (2)

supports internal management operations; (3) covers anticipated telecommunications cost adjustments; and (4) funds anticipated fiscal year salary increases.

Most of the budget increase includes \$475,000 for continued investment into ERisk, ORM's enterprise risk management software system, which broadly supports ORM's ability to better serve District employees, residents and visitors. Budgetary support for ERisk will continue to help ORM achieve its mission and further its strategic goals by enhancing the agency's ability to identify, measure, analyze, and mitigate the District's risk and liability exposures. With a focus on customer service, ORM strives to do its part to create and maintain a highly efficient, transparent, and responsive District government.

Captive Insurance Agency (RJ0)

The Captive Insurance Agency (Captive) underwrites, administers, and procures various property and liability insurance policies aimed at protecting the District government, its assets, and resources against potential losses. Similarly, through the Captive, ORM's Tort Division administers the Subrogation Fund and distributes those funds to District agencies as reimbursement for reported losses. In FY2020, the Captive budget is \$3,241,994, reflecting an increase of \$936,229 over the FY2019 budget of \$2,305,765. This increase supports the Captive's operational needs, with additional resources earmarked for: (1) funding personal services and fringe benefits, (2) Special Purpose Revenue for legislative compliance related to the Subrogation Fund Establishment Act (D.C. 22-341), and (3) aligning resources with operational spending goals. More specifically, this increase is not a traditional increase because it includes up to \$678,000 anticipated Subrogation Fund revenue that ORM may collect from at-fault third parties that have damaged District Property. This Special Purpose Revenue is

generated by ORM's pursuit of claims, and it is the agency's expectation that these funds will be available to District agencies requesting financial relief from losses pursuant to D.C. Code §1-325.391. In addition, other nonpersonal service funds, in the amount of \$250,000, will go to support the Cyber Liability insurance program.

Employees' Compensation Fund (BG0)

The Employees' Compensation Fund supplies financial resources for the administration of the Public Sector Workers' Compensation Program. This Program provides relief to District employees who experience a work-related injury or illness, by paying associated medical expenses and claim costs. The Employees' Compensation Fund proposed budget for FY2020 is \$25,551,842, with 52 FTEs. The FY2020 budget represents a \$1,420,260 increase from the FY19 budget of \$24,131,582, which includes \$904,758 to fund position realignments and projected salary increases within the agency and \$445,502 to support anticipated expenditures for professional services and operational costs. The FY2020 budget increase for claims administration activities within the Public Sector Workers' Compensation Program ensures that the District will continue to provide appropriate care and support for its employees.

ORM has undertaken realignment efforts within our Workers' Compensation Program by shifting FTEs between the Office of Risk Management and the Employee's Compensation Fund. Additionally, eight (8) of the FTEs under Public Workers' Compensation (4100) were realigned to Agency Management (1000) and the remaining one (1) FTE was realigned to the Insurance Program (3100). Of those realignments, two (2) FTEs in Agency Management and one (1) FTE in the Insurance Program were eliminated, after reevaluating agency functions. The remaining

positions in Agency Management will still have significant roles in the area of workers' compensation, but will now be provided the flexibility to also work on other needs of the agency.

Settlements and Judgments (ZH0)

The FY2020 budget for the Settlements and Judgments fund is \$28,024,759, which reflects an increase over the FY19 budget of \$21,824,759s. With no changes to the recurring budget from FY2019, the increase consists of \$6,200,000 dollars in local funds to support the settlement of claims and lawsuits issued by both, the Office of the Attorney General and the Office of Risk Management. This increase provides resources to ensure the continued financial stability of the fund for anticipated settlements and judgements.

Conclusion

Through these four (4) budget lines, ORM works to seamlessly serve and support its customers, whether those customers are residents, visitors, employees, or other District agencies. ORM is dedicated to its mission to reduce the probability, occurrence, and cost of risk to the District of Columbia government. ORM will continue its efforts to institutionalize and systematize the practice of risk management within District government agencies and strive to reduce the likelihood and severity of potential losses through the implementation of effective risk prevention and control strategies. Thank you, Chairman Todd and members of the Committee on Government Operations, for the opportunity to testify in support of the Mayor's FY2020 budget. ORM looks forward to your support and our continued partnership. At this time, I am available to answer any questions you may have on our budget.