

GOVERNMENT OF THE DISTRICT OF
COLUMBIA
OFFICE OF RISK MANAGEMENT



Fiscal Year 2021 Budget Oversight Hearing

Testimony of
Jed Ross
Chief Risk Officer and Director

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

Council of the District of Columbia

Virtual Hearing

June 12, 2020
9:00 AM

Good morning, Chairman Todd, members of the Committee on Government Operations, and committee staff. I am Jed Ross, 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, believing wholeheartedly in the Mayor's strategic investments that support our shared DC Values.

On May 18, 2020, Mayor Muriel Bowser presented her Fiscal Year 2021 (FY2021) Budget and Financial Plan, *DC HOPE*, the District's 25th consecutive balanced budget. The \$16.7 billion budget proposal includes investments responding to the ongoing pandemic, housing, education, 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 initial budget formulation process. With a focus on health, opportunity, prosperity, and equity, this budget provides a sense of hope that even in times of unprecedented crisis we can live up to our DC values and provide every Washingtonian with a fair shot. Moreover, I am proud of the Mayor, you Chairperson Todd, the OCFO, and all of the Council for your continuous stewardship of the District during this unprecedented emergency.

Today, my testimony will focus on ORM's four budgeted agencies:

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

In the Mayor's FY2021 budget, ORM's operating budget is \$4,266,384, with 32 Full-Time Equivalents (FTEs). The FY2021 budget reflects a decrease of \$446,270, over the Approved FY2020 budget. This budget decrease: (1) works to support the citywide effort to balance our budget; (2) allows the agency to continue to operate as needed; and (3) works to ensure we are able to support our injured workers, claimants, valuable team members, and our agency partners who rely on ORM for direction and guidance related to risk transfers, insurance, exposure identification, along with health and safety expertise.

Captive Insurance Agency

The mission of the Captive Insurance Agency (Captive) is to provide medical malpractice insurance for local non-profit health centers and to underwrite, administer, and procure 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 collecting monies owed to the District, much like any other insurance underwriter.

In FY2021, the Captive budget is \$4,411,974, reflecting an increase of \$1,370,980 over the FY2020 budget. This increase accounts for funding for: (1) salaries and fringe benefits for the associated FTEs within the agency, (2) alignment of resources with operational spending goals, and (3) covering anticipated increases to the Real Property Insurance premium and other insurance premium increases. The Captive's budget is comprised of both Special Purpose Revenue funds and local funds. Therefore, this increase is not a traditional increase because it includes up to \$888,811 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, when collected, with support from the Mayor and the Council, will go to support budget shortfalls that have occurred due to the pandemic.

Employees' Compensation Fund

The Employees' Compensation Fund provides fiscal resources to administer the Public Sector Workers' Compensation Program for District government employees and to pay the required claims costs of eligible claimants, pursuant to applicable District laws. The Employees' Compensation Fund proposed budget for FY2021 is \$22,542,849, with 52 FTEs. The FY2021 budget represents a \$3,008,993 decrease from the approved FY2020 budget. The reduction in the Employee's Compensation Fund is a result of several actions, but, most of it is a result of a net reduction of \$2,418,315 due to fewer claims vis-a-vis FY2020 fewer expenditures in claims. The proposed budget includes a net decrease of \$514,087 in personal services costs, which is primarily due to an adjustment in fringe benefits. Finally, ORM is also transferring out \$250,000 to the Office of Administrative Hearings to support the Public Sector Workers' Compensation adjudication budget.

Settlements and Judgments

There are no significant changes to the Settlements and Judgments Fund's FY2020 budget of \$28,024,759. With no changes to the recurring budget from FY2020, any increase consists of monies in local funds to support the settlement of claims and lawsuits issued by both the Office of the Attorney General and ORM. Any increase provides resources to ensure the continued financial stability of the fund for anticipated settlements and judgments.

Conclusion

Through these four budget lines, ORM will continue to provide operational support and service to our constituents, partners, and customers in all their capacities. ORM is dedicated to provide risk counsel, direction, and support through partnerships, education, and compliance. ORM will continue to operate with its core values of problem solving, accountability, ethics, competency, collaboration, innovation, and very importantly, compassion. We are ever cognizant of our community and the District's on-going commitment to building a strong and resilient economy. During these unprecedented times we must make some difficult decisions and ensure we continue to uphold our DC Values. Like other District agencies with reduced budgets, ORM will remain steadfast in our approach and will strive to provide the best level of customer service possible to our many constituents and partners.

Thank you, Chairman Todd and members of the Committee on Government Operations, for the opportunity to testify in support of the Mayor's FY2021 DC HOPE budget. This budget reflects the impacts of the global coronavirus pandemic, and reflects Mayor Bowser's ongoing commitment to good government and fiscal responsibility without compromising our shared DC values. 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.