

COUNCIL OF THE DISTRICT OF COLUMBIA
Office of the Budget Director



Jennifer Budoff
 Budget Director

TO: The Honorable Phil Mendelson
 Chairman, Council of the District of Columbia

FROM: Jennifer Budoff
 Budget Director, Council of the District of Columbia

DATE: May 28, 2019

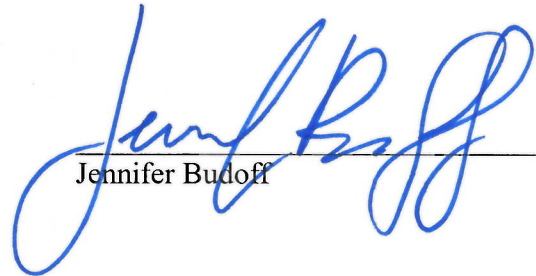
SUBJECT: Certification of Report and Recommendations of the Committee on
 Finance and Revenue on the Fiscal Year 2020 Budget and Financial Plan
 for Agencies Under Its Purview

This is to certify that the Office of the Budget Director has reviewed the Report and Recommendations of the Committee on Finance and Revenue on the Fiscal Year 2020 Budget and Financial Plan for Agencies Under Its Purview and, except for the unfunded subtitles listed below, found it to be balanced and compliant with Council Rule 703(b)(1) and (2).

Unfunded Subtitle	Description	Issue
Emergency and Non-Emergency Telephone Calling Systems Funding	Committee recommended eliminating subtitle and \$31.258M of revenue that will be generated over the 4-year financial plan.	Eliminating the subtitle without reducing the proposed budget or providing an alternative source of revenue will cause the budget to be unbalanced.
Internet Sales Tax Revenue Amendment Act of 2019	Committee recommended eliminating subtitle and rededicating sales tax revenue to the Commission on Arts and Humanities.	Eliminating the subtitle without making corresponding budget adjustments will cause the budget to be unbalanced.
Commercial Property Tax Rate Amendment Act of 2019	Committee recommended dedicating \$101.978M of revenue that will be generated over the 4-year financial plan to the Birth-to-Three for All DC Amendment Act of 2018 and the Neighborhood Safety and Engagement Fund.	Redirecting revenue without making corresponding budget adjustments will cause the budget to be unbalanced.

Unfunded Subtitle	Description	Issue
Sports Wagering Revenue Amendment Act of 2019	Committee recommended amending subtitle and rededicating the \$7.146M of revenue that will be generate over the 4-year financial plan to Birth-to-Three for All DC and the Neighborhood Safety and Engagement Fund.	Redirecting revenue without making corresponding budget adjustments will cause the budget to be unbalanced.
Veteran's Retirement Income Tax Exclusion Amendment Act of 2019	\$5.68M in FY21, \$5.817 in FY22, and \$5.96M in FY23. (\$17.45M over the plan).	Subtitle was not funded and will cause the budget to be unbalanced.

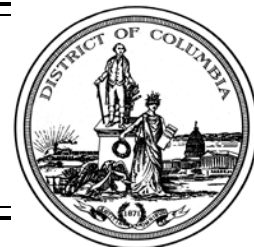
Additional information on the FY 2020 Budget and Financial Plan can be found at <https://www.dccouncilbudget.com/fiscal-year-2020-budget>.



Jennifer Budoff

COMMITTEE ON FINANCE AND REVENUE

COUNCILMEMBER JACK EVANS, CHAIRPERSON
FISCAL YEAR 2020 COMMITTEE BUDGET REPORT



TO: Members of the Council of the District of Columbia

FROM: Councilmember Jack Evans
Chairperson, Committee on Finance and Revenue

DATE: May 1, 2019

SUBJECT: Report and Recommendations of the Committee on Finance and Revenue
on the Fiscal Year 2020 Budget for Agencies Under Its Purview

The Committee on Finance and Revenue (“Committee”), having conducted hearings and received testimony on the Mayor’s proposed operating and capital budgets for Fiscal Year 2020 (“FY 2020”) for the agencies under its purview, reports its recommendations for review and consideration by the Committee of the Whole. The Committee also comments on several sections in the Fiscal Year 2020 Budget Support Act of 2019, as proposed by the Mayor.

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I. SUMMARY

A. FISCAL YEAR 2020 AGENCY OPERATING BUDGET SUMMARY

Proposed Gross Funds Operating Budget					
Agency/Fund	FY2018 Actuals	FY 2019 Approved	FY 2020 Proposed	Committee Variance	Committee Recommendation
Ballpark Revenue Fund					
ENTERPRISE AND OTHER FUNDS-DEDICATED TAX	\$29,448,326	\$46,829,000	\$25,919,000		\$25,919,000
ENTERPRISE AND OTHER FUNDS	\$11,736,000	\$11,944,000	\$12,148,000		\$12,148,000
TOTAL GROSS FUNDS	\$41,184,326	\$58,773,000	\$38,067,000	\$0	\$38,067,000
Office of Finance and Resource Management					
LOCAL FUND	\$23,970,451	\$27,122,756	\$28,528,456		\$28,528,456
OPERATING INTRA-DISTRICT FUNDS	\$8,436,256	\$9,142,619	\$10,396,201		\$10,396,201
SPECIAL PURPOSE REVENUE FUNDS ('O'TYPE)	\$223,914	\$472,147	\$273,210		\$273,210
TOTAL GROSS FUNDS	\$32,630,621	\$36,737,522	\$39,197,867	\$0	\$39,197,867
Office of Lottery and Charitable Games					
SPECIAL PURPOSE REVENUE FUNDS ('O'TYPE)	\$0	\$0			\$0
ENTERPRISE AND OTHER FUNDS	\$210,708,426	\$225,281,568	\$211,973,874		\$211,973,874
TOTAL GROSS FUNDS	\$210,708,426	\$225,281,568	\$211,973,874	\$0	\$211,973,874
Office of the Chief Financial Officer					
LOCAL FUND	\$124,104,630	\$127,560,061	\$138,158,998		\$138,158,998
OPERATING INTRA-DISTRICT FUNDS	\$7,548,401	\$8,707,547	\$10,859,491		\$10,859,491
SPECIAL PURPOSE REVENUE FUNDS ('O'TYPE)	\$15,635,850	\$45,430,513	\$43,759,576		\$43,759,576
FEDERAL GRANT FUND	\$345,932	\$450,000	\$450,000		\$450,000
TOTAL GROSS FUNDS	\$147,634,813	\$182,148,121	\$193,228,065	\$0	\$193,228,065
Real Property Tax Appeals Commission					
LOCAL FUND	\$1,712,492	\$1,763,225	\$1,784,120		\$1,784,120
OPERATING INTRA-DISTRICT FUNDS	\$0	\$0			\$0
TOTAL GROSS FUNDS	\$1,712,492	\$1,763,225	\$1,784,120	\$0	\$1,784,120
Washington Metropolitan Area Transit Authority					
SPECIAL PURPOSE REVENUE FUNDS ('O'TYPE)	\$49,080,135	\$43,000,000	\$48,000,000		\$48,000,000
DEDICATED TAXES	\$84,767,745	\$258,488,745	\$84,470,000		\$84,470,000
LOCAL FUND	\$284,880,422	\$110,685,914	\$335,152,161		\$335,152,161
TOTAL GROSS FUNDS	\$418,728,302	\$412,174,659	\$467,622,161	\$0	\$467,622,161

B. FISCAL YEAR 2020 AGENCY FULL-TIME EQUIVALENT

Proposed Gross Funds FTEs					
Agency/Program	FY2018 Actuals	FY 2019 Approved	FY 2020 Proposed	Committee Variance	Committee Recommendation
Ballpark Revenue Fund					
ENTERPRISE AND OTHER FUNDS	0.00	0.00	0.00		0.00
ENTERPRISE AND OTHER FUNDS-DEDICATED TAX	0.00	0.00	0.00		0.00
TOTAL GROSS FUNDS	0.00	0.00	0.00	0.00	0.00
Office of Finance and Resource Management					
LOCAL FUND	36.00	38.00	39.00		39.00
OPERATING INTRA-DISTRICT FUNDS	7.00	7.00	6.00		6.00
SPECIAL PURPOSE REVENUE FUNDS ('O'TYPE)	0.00	0.00	0.00		0.00
TOTAL GROSS FUNDS	43.00	45.00	45.00	0.00	45.00
Office of Lottery and Charitable Games					
ENTERPRISE AND OTHER FUNDS	0.00	76.50	76.50		76.50
SPECIAL PURPOSE REVENUE FUNDS ('O'TYPE)	0.00	0.00	0.00		0.00
TOTAL GROSS FUNDS	0.00	76.50	76.50	0.00	76.50
Office of the Chief Financial Officer					
FEDERAL GRANT FUND	0.00	0.00	0.00		0.00
LOCAL FUND	806.17	870.00	870.00		870.00
OPERATING INTRA-DISTRICT FUNDS	45.02	48.00	56.00		56.00
SPECIAL PURPOSE REVENUE FUNDS ('O'TYPE)	51.00	64.00	61.00		61.00
TOTAL GROSS FUNDS	902.19	982.00	987.00	0.00	987.00
Real Property Tax Appeals Commission					
LOCAL FUND	11.00	11.00	11.00		11.00
OPERATING INTRA-DISTRICT FUNDS	0.00	0.00	0.00		0.00
TOTAL GROSS FUNDS	11.00	11.00	11.00	0.00	11.00

C. FISCAL YEAR 2020 - 2025 AGENCY CAPITAL BUDGET SUMMARY

Project No	Project Title	Allotment Scenario	Available Allotments (3-19-19)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	6-yr Total
OFFICE OF THE CHIEF FINANCIAL OFFICER (ATO)										
BF205C	FMS REP	Available Balances	(1,500,000)	0	0	0	0	0	0	0
BF205C Total			(1,500,000)	0	0	0	0	0	0	0
BF211C	CFOSOLVE FINANCIAL APPLICATION	Available Balances	3,122,092	0	0	0	0	0	0	0
		Reprogramming	(3,122,092)	0	0	0	0	0	0	0
BF211C Total			0	0	0	0	0	0	0	0
BF301C	SOAR MODERNIZATION	Available Balances	3,575,133	0	0	0	0	0	0	0
		On Hold	8,099,496	0	0	0	0	0	0	0
BF301C Total			11,674,628	0	0	0	0	0	0	0
BF303C	MODERNIZED BUDGET ANALYTICS	Available Balances	3,500,000	0	0	0	0	0	0	0
		FY19-24 Approved CIP	0	3,200,000	3,000,000	0	0	0	0	9,700,000
		Mayor's Proposed FY20 Change	0	(3,200,000)	(3,000,000)	0	0	0	0	(9,700,000)
BF303C Total			3,500,000	0	0	0	0	0	0	0
BF304C	DCSRP - SOAR MODERNIZATION	Available Balances	2,559,279	0	0	0	0	0	0	0
		FY19-24 Approved CIP	0	21,000,000	38,500,000	18,500,000	10,000,000	0	0	91,000,000
		Mayor's Proposed FY20 Change	0	(21,000,000)	(38,500,000)	(18,500,000)	(10,000,000)	0	0	(91,000,000)
BF304C Total			2,559,279	0	0	0	0	0	0	0
CI001C	CAPITAL ASSET REPLACEMENT SCHEDULING SYS	Available Balances	672,717	0	0	0	0	0	0	0
CI001C Total			672,717	0	0	0	0	0	0	0
CSP08C	INTEGRATED TAX SYSTEM MODERNIZATION	Available Balances	10,886,772	0	0	0	0	0	0	0
		FY19-24 Approved CIP	0	0	0	0	0	0	0	6,900,000
		Mayor's Proposed FY20 Change	0	0	0	0	0	0	0	(6,900,000)
		Reprogramming	3,122,092	0	0	0	0	0	0	0
		Committee's FY20 Recommendation	0	60,000	0	0	0	0	0	60,000
CSP08C Total			14,008,863	60,000	0	0	0	0	0	60,000
CSP10C	IT SYSTEM UPGRADES	Available Balances	500,000	0	0	0	0	0	0	0
		FY19-24 Approved CIP	0	1,000,000	0	0	0	0	0	1,500,000
		Mayor's Proposed FY20 Change	0	(13,649)	1,523,062	1,932,088	0	0	0	2,941,501
CSP10C Total			500,000	986,351	1,523,062	1,932,088	0	0	0	4,441,501
EQ9ATC	EQUIPMENT ACQUISITION	Available Balances	819,292	0	0	0	0	0	0	0
EQ9ATC Total			819,292	0	0	0	0	0	0	0
IFSMPCC	IMP-NEW FINANCIAL SYSTEM	Mayor's Proposed FY20 Change	0	45,522,685	59,856,318	38,907,309	37,990,709	4,503,969	0	186,780,990
IFSMPCC Total			0	45,522,685	59,856,318	38,907,309	37,990,709	4,503,969	0	186,780,990
OTR320	HIGHWAY TRUST FUND	Available Balances	441	0	0	0	0	0	0	0
OTR320 Total			441	0	0	0	0	0	0	0
ATO Total			32,235,219	46,569,036	61,379,380	40,839,397	37,990,709	4,503,969	0	191,282,491
MASS TRANSIT SUBSIDIES (KEO)										
SA311C	WMATA FUND - PRIIA	Available Balances	22,992,807	0	0	0	0	0	0	0
		FY19-24 Approved CIP	0	50,000,000	0	0	0	0	0	100,000,000
		Mayor's Proposed FY20 Change	0	0	0	0	0	0	0	(50,000,000)
		On Hold	2,181,758	0	0	0	0	0	0	0
		Committee's FY20 Recommendation	(500,000)	(500,000)	0	0	0	0	0	(500,000)
SA311C Total			24,674,565	49,500,000	0	0	0	0	0	49,500,000
SA501C	WMATA CIP CONTRIBUTION	Available Balances	35,357,283	0	0	0	0	0	0	0
		FY19-24 Approved CIP	0	255,442,186	263,105,453	270,998,615	279,128,574	287,502,432	0	1,415,878,412
		Mayor's Proposed FY20 Change	0	13,557,814	9,894,547	5,001,385	(1,128,574)	(7,502,432)	282,000,001	242,121,589
SA501C Total			35,357,283	269,000,000	273,000,000	276,000,000	278,000,000	280,000,000	282,000,001	1,658,000,001
TOP02C	PROJECT DEVELOPMENT	Available Balances	707,084	0	0	0	0	0	0	0
		FY19-24 Approved CIP	0	1,000,000	1,000,000	650,000	1,000,000	1,000,000	0	5,650,000
		Mayor's Proposed FY20 Change	0	0	0	350,000	0	0	1,000,000	350,000
TOP02C Total			707,084	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	6,000,000
KEO Total			60,738,932	319,500,000	274,000,000	277,000,000	279,000,000	281,000,000	283,000,001	1,713,500,001
Grand Total			92,974,151	366,069,036	335,379,380	317,839,397	316,990,709	285,503,969	283,000,001	1,904,782,492

D. TRANSFERS IN FROM OTHER COMMITTEES

<i>Sending Committee</i>	<i>Amount</i>	<i>FTEs</i>	<i>Receiving agency</i>	<i>Program</i>	<i>Purpose</i>	<i>Recurring or One-Time</i>
Total						

E. TRANSFERS OUT TO OTHER COMMITTEES

<i>Receiving Committee</i>	<i>Amount</i>	<i>FTEs</i>	<i>Receiving agency</i>	<i>Program</i>	<i>Purpose</i>	<i>Recurring or One-Time</i>
Facilities & Procurement	\$20,000	N/A	ANC (DX0)	(1085) Customer Services	To help fund the communication access fund for use at Advisory Neighborhood Commission Meetings	One-time
Facilities & Procurements	\$75,000	N/A	DGS (AM0)	CSG 41/(6001) Contracting and Procurement Services	Improvements and plantings at Rose Park	Recurring
Facilities & Procurement	\$50,000	N/A	DGS (AM0)	CSG 41/(6001) Contracting and Procurement Services	Field improvements at Francis Dog Park	One-time
Facilities & Procurement	\$50,000	N/A	DGS (AM0)	CSG 41/(6001) Contracting and Procurement Services	Fix irrigation system and flashing at the Spanish Steps	One-time
Business & Economic Development	\$48,000	N/A	DSLBD (EN0)	(4000) Commercial Revitalization	Additional staff support for the Mid-City Clean Team	Recurring
Education	\$1,161,015	N/A	OSSE (GD0)	E800	Funding for Birth to Three	Recurring
Transportation & Environment	\$1,000,000	N/A	DDOT (KA0)	Capital (LMBSS)	New York Avenue, NW median project from 9 th to 12 th St., NW	
Total	\$2,404,015					

F. REVENUE ADJUSTMENT

Revenue Adjustments				
<i>Agency</i>	<i>Fund Type</i>	<i>Amount</i>	<i>Use</i>	<i>BSA subtitle</i>
ANC(DX0)	Local	\$20,000	To help fund the communication access fund for use at Advisory Neighborhood Commission Meetings	VII(C) Keep Housing Affordable Increased Tax Relief
DGS (AM0)	Local	\$75,000	Improvements and plantings at Rose Park	VII(C) Keep Housing Affordable Increased Tax Relief
DGS (AM0)	Local	\$50,000	Field improvements at Francis Dog Park	VII(C) Keep Housing Affordable Increased Tax Relief
DGS (AM0)	Local	\$50,000	Fix irrigation system and flashing at the Spanish Steps	VII(C) Keep Housing Affordable Increased Tax Relief
DSLBD (EN0)	Local	\$48,000	Additional staff support for the Mid-City Clean Team	VII(C) Keep Housing Affordable Increased Tax Relief
OSSE(GD0)	Local	\$1,161,015	Funding for Law 22-179 (Birth to Three)	VII(B) Keep Childcare Affordable Tax Credit

G. BUDGET SUPPORT ACT SUBTITLE FUNDING

<i>Subtitle</i>	<i>Agency</i>	<i>Program</i>	<i>Amount</i>	<i>FTEs</i>
Aficare Equitable Relief	OCFO		\$60,000	

H. FUNDING OF BILLS PREVIOUSLY PASSED SUBJECT TO APPROPRIATION

<i>Bill or Law #</i>	<i>Status</i>	<i>Agency</i>	<i>Program</i>	<i>Amount</i>	<i>FTEs</i>
L22-179	Partially Funded	OSSE	E800	\$1,161,015	

I. SUMMARY OF COMMITTEE BUDGET RECOMMENDATIONS

OFFICE OF THE CHIEF FINANCIAL OFFICER

Operating Budget Recommendations

The Committee recommends adoption of the Mayor’s Fiscal Year 2020 operating budget for the Office in the amount of \$193,228,065.

Capital Budget Recommendations

The Committee recommends adoption of the Mayor’s Fiscal Year 2020 capital budget for the Office of \$46,569,036 in Fiscal Year 2020 and \$191,222,491 over the course of the 6-year capital plan. The bulk of which is for the New Financial System project (\$186.78 million). This also includes a \$60,000 increase in Fiscal Year 2020 to the MITS project for one-time IT upgrades to enable all Schedule H returns to be accepted electronically.

D.C. LOTTERY AND CHARITABLE GAMES

Operating Budget Recommendations

The Committee recommends adoption of the Mayor’s Fiscal Year 2020 budget for the Lottery in the amount of \$211,973,874, a reduction of 5.9% from the 2019 budget.

Capital Budget Recommendations

The Committee recommends adoption of the Mayor’s Fiscal Year 2020 capital budget for the Lottery of \$0.

REAL PROPERTY TAX APPEALS COMMISSION

Operating Budget Recommendations

The Committee recommends adoption of the Fiscal Year 2020 budget for the Commission in the amount of \$1,784,120.

Capital Budget Recommendations

The Committee recommends adoption of the Mayor’s Fiscal Year 2020 capital budget for the Commission of \$0.

OFFICE OF FINANCE AND RESOURCE MANAGEMENT

Operating Budget Recommendations

The Committee recommends adoption of the Mayor’s Fiscal Year 2020 budget for the Office of Finance and Resource Management in the amount of \$39,197,867, a 6.7 percent increase over the Fiscal Year 2019 budget.

Capital Budget Recommendations

The Committee recommends adoption of the Mayor’s Fiscal Year 2020 capital budget for the Office of Finance and Resource Management of \$0.

DESTINATION DC

Operating Budget Recommendations

The Committee recommends adoption of the Mayor's Fiscal Year 2020 budget for Destination DC in the amount of the dedicated tax of 0.3 percent on gross receipts from hospitality charges, including hotel rooms, and inns, and dedicated to the Washington Convention and Sports Authority for transferring to Destination DC.

Capital Budget Recommendations

The Committee recommends adoption of the Mayor's Fiscal Year 2020 capital budget for Destination DC of \$0.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Operating Budget Recommendations

The Committee recommends adoption of the Mayor's Fiscal Year 2020 budget for the Authority in the amount of \$467,622,161.

Capital Budget Recommendations

The Committee recommends adoption of the Mayor's Fiscal Year 2020 capital budget for the Authority of \$319,500,000 in Fiscal Year 2020 and \$1,713,500,000 over the course of the 6-year capital plan. The Committee is directing \$500,000 of unused capital funding in the Fiscal Year 2019 and Fiscal Year 2020 WMATA capital budget to the New York Avenue median project.

INTER-COMMITTEE TRANSFERS

ADVISORY NEIGHBORHOOD COMMISSION

The Committee recommends transferring the following amounts to the Committee on Facilities and Procurement:

- \$20,000 in one-time funds to the Advisory Neighborhood Commission to help fund the communication access fund to be used at Advisory Neighborhood Commission monthly meetings.

DEPARTMENT OF GENERAL SERVICES

The Committee recommends transferring the following amounts to the Committee on Facilities and Procurement:

- \$75,000 in one-time funds to the Department of General Services contracting and procurement for improvements and plantings at Rose Park.
- \$50,000 in one-time funds to the Department of General Services contracting and procurement for field improvements at Francis Dog Park.
- \$50,000 in one-time funds to the Department of General Services contracting and procurement to fix the irrigation system and flashing at the Spanish Steps.

DEPARTMENT OF SMALL LOCAL BUSINESS DEVELOPMENT

The Committee recommends transferring the following amounts to the Committee on Business and Economic Development:

- \$48,000 in recurring funds to the Department of Small Local Business Development Commercial Clean Teams for additional staff resources to help the Mid-City Commercial Clean team service the 14th Street, N.W. corridor south of U Street, N.W.

OFFICE OF THE STATE SUPERINTENDENT OF EDUCATION

The Committee recommends transferring the following amounts to the Committee on Education:

- \$1,161,015 in recurring funds to the Office of the State Superintendent of Education to help fund Law 22-179, the “Birth-to-Three for All DC Act of 2018” (Birth to Three).

DEPARTMENT OF TRANSPORTATION

The Committee recommends transferring the following amounts to the Committee on Transportation and the Environment:

- \$1,000,000 in capital funding to the Department of Transportation project LMBSS-Streetscapes and Beautification to provide electricity, irrigation and concrete installation pads in the medians on New York Avenue, NW from 9th Street to 12th Street, NW. The Downtown Business Improvement District will partner with the National Museum of the Women in the Arts and the adjacent property owners to fund the public art for the new three blocks.

II. AGENCY FISCAL YEAR 2020 BUDGET RECOMMENDATIONS

A. INTRODUCTION

The Committee presents its recommendations for the District of Columbia's Fiscal Year 2020 budget. Under Council rules, the Committee on Finance and Revenue is responsible for matters relating to taxation and revenue for the operation of the government of the District of Columbia, general-obligation bond acts, revenue-anticipation notes, and industrial revenue-bonds; tourism and cultural affairs; the establishment of business-improvement districts; and matters relating to the Washington Metropolitan Area Transit Authority.¹

The District agencies, boards, and commissions that come under the Committee's purview are as follows:

- I. Office of the Chief Financial Officer²
- II. D.C. Lottery and Charitable Games
- III. Real Property Tax Appeals Commission
- IV. Office of Finance and Resource Management
- V. Destination DC
- VI. Washington Metropolitan Area Transit Authority

The Committee is chaired by Councilmember Jack Evans. The other members of the Committee are Councilmembers Vincent Gray, Kenyan McDuffie, Elissa Silverman, and Anita Bonds.

The Board of Review of Anti-Deficiency Violations, the Multistate Tax Commission, and the Washington Metrorail Safety Commission are also within the purview of the Committee. These three entities are paper agencies that do not receive a budget. The Committee therefore did not hold an oversight hearing during the budget process for these three agencies and does not discuss them in further detail within this report.

The Committee held performance and budget oversight hearings on the following dates:

¹ See Rules of Organization and Procedure for the Council of the District of Columbia, Council Period 23, Rule 235(a) (hereinafter "Council Period 23 Rules").

² The Office of the Chief Financial Officer includes seven divisions: (1) Office of Tax and Revenue; (2) Office of Finance and Treasury; (3) Office of Revenue Analysis; (4) Office of Financial Operations and Systems; (5) Office of Integrity and Oversight; (6) Economic Development Finance; and (7) Office of Budget and Planning. The Committee possesses oversight jurisdiction for all divisions except for the Office of Budget and Planning, which is overseen by the Committee of the Whole. See Council Period 23 Rules, *supra* note 1, Rules 231(e), 235(b).

<i>Performance Oversight Hearings</i>	
February 13, 2019	Washington Metropolitan Area Transit Authority
February 22, 2019	Commission on the Arts and Humanities
February 25, 2019	Real Property Tax Appeals Commission, DC Lottery, Office of the Chief Financial Officer
March 1, 2019	Destination DC, Events DC ³

<i>Budget Oversight Hearings⁴</i>	
April 5, 2019	Real Property Tax Appeals Commission, DC Lottery, Office of the Chief Financial Officer
April 10, 2019	Destination DC

The Committee received important comments from members of the public during the budget oversight hearing process. Copies of witness testimony are included as attachments to this report.⁵ Those interested in obtaining a video recording of the hearings may find them through the Office of Cable Television or at *oct.dc.gov*. The Committee welcomes public input on the agencies and activities within its purview.

The Committee wishes to note that the oversight functions of the Committee and the Council of the District of Columbia (“Council”) are ongoing activities that continue throughout the year. Areas of particular importance to this Committee include addressing the findings and recommendations contained in the annual Comprehensive Annual Financial Report (CAFR), the annual Management Letter (now called the “Memorandum of Recommendations”), audits and reports issued by the Office of the Inspector General and the D.C. Auditor, and the “Yellow Book” findings of the CAFR.⁶ The Committee is pleased that, upon reviewing the reports for the prior four fiscal years (2015, 2016, 2017 and 2018), no Yellow Book was published.

The Committee remains focused on the continued development and successful operations and performance of the Real Property Tax Appeals Commission. The Committee monitors the operation of the lottery contract, the transition to new management within the agency, and the addition of sports wagering to lottery offerings. In the Office of the Chief Financial Officer, the Committee remains particularly interested in the functions of the Office of Tax and Revenue and their ability to provide high quality customer service to our residents. The Committee would also like to commend the entire Office of the Chief Financial Officer, including the hard-working

³ Events DC was formerly known as the Washington Convention and Sports Authority.

⁴ The jurisdiction of the Committee shifted between FY 2019 performance oversight hearings and FY 2020 budget hearings, thus the Committee held fewer budget oversight hearings and is not addressing some agencies in this budget report. *See* Council Period 23 Rules Committee Jurisdiction Amendment Resolution of 2019, R23-69 *effective* Apr. 2, 2019.

⁵ *See infra* Parts VI. A and VI. B.

⁶ The Yellow Book contains findings on agency systems and processes that require action and improvement.

employees, for helping the District achieve the first triple A bond rating for the city last June.

The Committee worked to provide an annual marketing supplement to Destination DC and assist the entity in advertising all that the District has to offer. This additional funding was further memorialized two years ago through a 0.30% increase and dedicated portion of the hotel sales tax rate.

Another focus area for the Committee continues to be investing in the Washington Metropolitan Area Transit Authority. Funding the Authority's capital budget will aid in helping to address the safety concerns of the past few years and help remedy deferred maintenance issues. The approval of multi-jurisdiction dedicated funding for WMATA is the crucial step for success of the system moving forward.

B. OFFICE OF THE CHIEF FINANCIAL OFFICER

1. AGENCY MISSION AND OVERVIEW

The stated mission of the Office of the Chief Financial Officer (OCFO) is to provide financial management services to the government and the people of the District of Columbia and to sustain long-term fiscal and economic viability. The OCFO works to enhance fiscal and financial stability, accountability, and integrity for the District government. The OCFO operates through seven programs: (1) Financial Operations and Systems; (2) Budget Development and Execution; (3) Research and Analysis; (4) Tax Administration; (5) Information Technology; (6) Finance and Treasury; and (7) Integrity and Oversight.

The *Financial Operations and Systems* division carries out the District's accounting operations, including critical functions such as District-wide General Ledger accounting, financial reporting, and pay and retirement services. This program also works closely with the Office of the Inspector General to produce the CAFR, which shows the District's financial position at the end of each fiscal year. The *Budget Development and Execution* division—commonly referred to as the Office of Budget and Planning (OBP)—prepares, monitors, analyzes, and executes the District government's budget, including operating, capital, and enterprise funds, in a manner that facilitates fiscal integrity and maximizes services to taxpayers.⁷ The *Research and Analysis* division—also known as the Office of Revenue and Analysis (ORA)—provides revenue estimates, revenue policy analysis, and analysis supporting economic development.

The *Tax Administration* division—often referred to as the Office of Tax and Revenue (OTR)—provides fair, efficient, and effective administration of the District's business, income, excise, and real property tax laws. The *Information Technology* division provides for the development and maintenance of state-of-the-art financial information systems to support the District's payroll, pension, accounting, tax, budget, treasury, and web-based financial reporting systems. The *Finance and Treasury* division provides management of the financial assets and liabilities of the District government, including investing, collecting, safekeeping, disbursing, recording, and acquiring District financial resources. Finally, the *Integrity and Oversight* division maintains the accountability, integrity, and efficiency of the Districts' financial management and tax administration systems.

⁷ Although a component unit of the OCFO, the Committee does not perform oversight for OBP. This program falls under the oversight jurisdiction of the Committee of the Whole. *See supra*, note 4. The Committee, therefore, does not make any recommendations with respect to the funds or Full-Time Equivalents affecting OBP.

2. FISCAL YEAR 2020 OPERATING BUDGET

Proposed Gross Funds Operating Budget					
Agency/Fund	FY2018 Actuals	FY 2019 Approved	FY 2020 Proposed	Committee Variance	Committee Recommendation
Office of the Chief Financial Officer					
LOCAL FUND	\$124,104,630	\$127,560,061	\$138,158,998		\$138,158,998
OPERATING INTRA-DISTRICT FUNDS	\$7,548,401	\$8,707,547	\$10,859,491		\$10,859,491
SPECIAL PURPOSE REVENUE FUNDS ('O'TYPE)	\$15,635,850	\$45,430,513	\$43,759,576		\$43,759,576
FEDERAL GRANT FUND	\$345,932	\$450,000	\$450,000		\$450,000
TOTAL GROSS FUNDS	\$147,634,813	\$182,148,121	\$193,228,065	\$0	\$193,228,065

Proposed Gross Funds FTEs					
Agency/Program	FY2018 Actuals	FY 2019 Approved	FY 2020 Proposed	Committee Variance	Committee Recommendation
Office of the Chief Financial Officer					
FEDERAL GRANT FUND	0.00	0.00	0.00		0.00
LOCAL FUND	806.17	870.00	870.00		870.00
OPERATING INTRA-DISTRICT FUNDS	45.02	48.00	56.00		56.00
SPECIAL PURPOSE REVENUE FUNDS ('O'TYPE)	51.00	64.00	61.00		61.00
TOTAL GROSS FUNDS	902.19	982.00	987.00	0.00	987.00

Proposed Operating Budget by CSG					
Agency/CSG	FY2018 Actuals	FY 2019 Approved	FY 2020 Proposed	Committee Variance	Committee Recommendation
Office of the Chief Financial Officer					
11-REGULAR PAY - CONT FULL TIME	\$83,499,563	\$89,188,009	\$92,360,214		\$92,360,214
12-REGULAR PAY - OTHER	\$1,835,346	\$1,311,712	\$1,259,275		\$1,259,275
13-ADDITIONAL GROSS PAY	\$365,394	\$51,250	\$51,250		\$51,250
14-FRINGE BENEFITS - CURR PERSONNEL	\$18,999,766	\$19,957,225	\$19,607,250		\$19,607,250
15-OVERTIME PAY	\$559,881	\$25,000	\$25,000		\$25,000
20-SUPPLIES AND MATERIALS	\$237,528	\$459,664	\$379,908		\$379,908
40-OTHER SERVICES AND CHARGES	\$9,542,425	\$12,980,448	\$13,964,899		\$13,964,899
41-CONTRACTUAL SERVICES - OTHER	\$31,366,987	\$56,757,901	\$64,168,358		\$64,168,358
50-SUBSIDIES AND TRANSFERS	\$0	\$35,000	\$0		\$0
70-EQUIPMENT & EQUIPMENT RENTAL	\$1,227,924	\$1,381,910	\$1,411,910		\$1,411,910
TOTAL GROSS FUNDS	\$147,634,813	\$182,148,121	\$193,228,065	\$0	\$193,228,065

Proposed Operating Budget by Program					
Agency/Program	FY2018 Actuals	FY 2019 Approved	FY 2020 Proposed	Committee Variance	Committee Recommendation
Office of the Chief Financial Officer					
1000 - AGENCY MANAGEMENT	\$10,303,439	\$11,318,068	\$11,216,999		\$11,216,999
100F - AGENCY FINANCIAL OPERATIONS	\$1,319,058	\$1,601,572	\$1,631,920		\$1,631,920
2000 - FINANCIAL OPERATIONS AND SYSTEMS	\$13,214,084	\$13,948,560	\$14,783,215		\$14,783,215
4000 - RESEARCH AND ANALYSIS	\$5,124,853	\$5,271,324	\$5,274,336		\$5,274,336
5000 - TAX ADMINISTRATION	\$60,312,566	\$76,497,438	\$78,490,431		\$78,490,431
6000 - INFORMATION TECHNOLOGY	\$27,638,810	\$27,654,424	\$36,293,540		\$36,293,540
7000 - FINANCE AND TREASURY	\$25,430,487	\$41,129,997	\$40,628,391		\$40,628,391
8000 - INTEGRITY AND OVERSIGHT	\$4,291,515	\$4,726,738	\$4,909,233		\$4,909,233
9960 - YR END CLOSE	\$0	\$0			\$0
9980 - PAYROLL DEFAULT PROGRAM	\$0	\$0			\$0
REVN - REVENUE	\$0	\$0			\$0
TOTAL GROSS FUNDS	\$147,634,813	\$182,148,121	\$193,228,065	\$0	\$193,228,065

Committee Analysis and Comments

The Committee commends the OCFO on its ongoing activities. The Committee is impressed by the OCFO's strategic plan for 2019 – 2023 and is hopeful it will implement those goals in a timely manner.

The Committee is confident in Jeffrey S. DeWitt's continued service as the chief financial officer (CFO) for the District of Columbia for a five-year term through June 2022. The Committee encourages the OCFO to continue to evaluate the MITS implementation impacts on both its workforce and taxpayers. The Committee would like to see OTR continue to engage with taxpayers, tax practitioners, and preparers to hear about what is working well and what may need further refinement or adjustment with the new system. The Committee encourages OTR to actively seek out feedback from individual taxpayers on ways to improve their experience interacting with the agency.

The Committee has noted with interest the continued growth of the OCFO budget. The OCFO explained in their budget responses that their budget has not actually increased by 34 percent from Fiscal Year 2017, the budget has only increased by 12.3 percent since Fiscal Year 2017. The higher number is explained by a disconnect between actual spending in Fiscal Year 2017 and proposed spending for Fiscal Year 2020 created by anti-deficiency rules. The Committee will also be monitoring the increasing costs of information technology and support, which is projected to cost over \$8.6 million more than budgeted in Fiscal Year 2019, a 30 percent increase, and significantly more than budgeted in any previous Fiscal Year. The Committee questions whether the costs of this information technology system will continue to increase, especially considering this \$8.6 million in additional funding was not projected during last year's budget.

The Committee encourages the OCFO to consider enhancing transparency in real property administrative tax abatement decisions. The Committee has heard from constituents that the process for accessing past administrative decisions is cumbersome. This process involves submitting freedom of information act requests. Given that these decisions should be publicly available, the Committee encourages the OCFO to consider posting them publicly, for instance online, to enhance transparency. Further, by posting these decisions online the OCFO will be able to enhance efficiency and cut down on the number of requests for information, as the public will be able to freely access this resource.

The Committee also encourages the OCFO to work closely with advocates to create a program similar to the federal Office of Taxpayer Advocate that ensures their Taxpayer Advocate Office (TAO) has independence from OTR. The OCFO reported planning to create their own office with five advocates who can make recommendations to correct systemic issues and advocate on behalf of taxpayers. The Committee is pleased that the OCFO is implementing technology such as "virtual hold" to improve customer experience, and finds that the OCFO should continue to pursue new ideas to improve customer experience.

3. FISCAL YEAR 2020-2025 CAPITAL BUDGET

The Mayor's proposed Fiscal Year 2020 capital budget for the Office of the Chief Financial Officer is \$46,509,036 in Fiscal Year 2020 and \$191,222,491 over the course of the 6-year capital plan. The bulk of this spending is for the New Financial System project (\$186,781,000).

Committee Analysis and Comments

1. CARRS (CIM01)

The capital funding necessary for the CARRS project has been spent and this project was completed from a capital perspective at the end of Fiscal Year 2018. The OCFO has confirmed (at performance oversight) CARSS does not require any further capital funding in the capital plan. The OCFO has also confirmed all planned future expenditures will be ongoing system maintenance and licensing access that will be operating expenses. CARSS has transitioned to operating funding, which has been included in the financial plan.

2. MITS (CSP08C)

The Mayor's proposed 6-year budget for the Modified Integrated Tax System ("MITS") does not contain any new capital funding but does contain an existing allotment of unspent budget authority, including \$6.9 million to enable the OCFO to support the Real Property component.

The project was completed on schedule with successful implementation of the four rollouts. Rollout 4 was implemented in October 2018 and included all remaining taxes and fees from the initial plan.

The system continues to be updated with service packs implementation in Fiscal Year 2019. The OCFO will be adding the Sports Betting tax and also plans to implement the Long-Term Homeowners property credit and Consumer use tax in Fiscal Year 2020. It is expected that the remaining allotment of funding will cover all additional components to the system.

3. New Financial System/previously SOAR Modernization (IFSMPC)

The Mayor's proposed 6-year budget for the New Financial System (IFSMPC) totals \$187 million through Fiscal Year 2025. Two existing projects (BF301C and BF304C) are being subsumed into the proposed new project (IFSMPC) and are transferring existing allotments to the new project for a total of approximately \$205 million.

The New Financial System project (formerly known as SOAR modernization project) will implement major enhancements and improvements to the District's General

Ledger System by completely replacing the current R-STARS (SOAR) accounting system with a modern, web-based system utilizing industry best practices. The current application is over 17-years old and must be replaced. In addition to a new financial accounting component, this system will also include the following: new planning and budget system, new treasury management system, new grants system, organizational change management and Independent Verification & Validation (IV&V).

As previously noted by the Committee, upgrading the SOAR system is essential to the continued financial performance of the District. Modernizing the system also improves its overall security and reliability. The SOAR Modernization must also be considered in the lens of budget autonomy. The decision⁸ at the D.C. Superior Court to uphold the District's budget autonomy means that the city may now take steps to craft a budget responsive to District taxpayers and not federal officials. A truly autonomous budget process would mean switching the fiscal year from October 1-September 30 to July 1-June 30. Such a change would match the fiscal year of the Washington Metropolitan Area Transit Authority and the District's public schools, as well as that of neighboring states Maryland and Virginia. It is the understanding of the Committee that this change cannot be made with the current SOAR system and therefore could not take place until the New Financial System is completed and fully implemented. The Committee is encouraged to see that the substantial funding necessary to execute this project is included in the Mayor's proposed budget and capital plan and that an award for the implementation contract is expected within the year.

4. IT System Upgrades (CSP10C)

The Mayor's proposed 6-year budget IT System Upgrades (CSP10C) totals \$2.9 million through Fiscal Year 2025. This project supports the OCFO's central Information Technology (IT) system infrastructure; the composite hardware, software, network resources and services required for the existence, operation and management of an enterprise IT environment. This is an internal project that covers capital investments associated with systems enhancements and includes life-cycle replacement of OCFO network appliances and servers.

4. COMMITTEE RECOMMENDATIONS

a. Fiscal Year 2020 Operating Budget Recommendations

The Committee recommends adoption of the Mayor's Fiscal Year 2020 operating budget for the Office in the amount of \$193,228,065.

b. Fiscal Year 2020 Capital Budget Recommendations

The Committee recommends adoption of the Mayor's Fiscal Year 2020 capital budget for the Office of \$46,569,036 in Fiscal Year 2020 and \$191,222,491 over the course of the 6-year capital plan. The bulk of which is for the New Financial System

⁸ *Feldman v. Bowser*, 315 F. Supp. 3d 299 (D.D.C. 2018).

project (\$186.78 million). This also includes a \$60,000 increase in Fiscal Year 2020 to the MITS project for one-time IT upgrades to enable all Schedule H returns to be accepted electronically (as included in Budget Support Act Subtitle VII (C)).

c. Policy Recommendations

1. The Committee recommends that the OCFO work closely with advocates to create a program similar to the federal Office of Taxpayer Advocate that ensures their Taxpayer Advocate Office (TAO) has independence from OTR. The Committee supports the OCFO's plan of creating an office with five advocates who can make recommendations to correct systemic issues and advocate on behalf of taxpayers.

2. The Committee recommends the OCFO begin posting publicly copies of administrative tax abatement decisions for real property tax abatements. The Committee believes this will enhance the public's knowledge of, and confidence in, these rulings. This would further enhance efficiency for the OCFO as they would no longer need to receive, evaluate, and respond to requests for access to individual real property tax abatement decisions made through public records requests.

C. D.C. LOTTERY AND CHARITABLE GAMES

1. AGENCY MISSION AND OVERVIEW

The mission of the D.C. Lottery and Charitable Games (Lottery) is to generate revenue for the District's general fund through the sale of lottery games and to regulate charitable gaming. The Lottery operates through one main program: Gaming Operations. This division provides support services to lottery retail agents and the gaming public so that they may benefit from the portfolio of games offered by the Lottery. In Fiscal Year 2020, the Lottery will add sports wagering to its portfolio and regulate this new market in the District as well.

2. FISCAL YEAR 2020 OPERATING BUDGET

Proposed Gross Funds Operating Budget					
Agency/Fund	FY2018 Actuals	FY 2019 Approved	FY 2020 Proposed	Committee Variance	Committee Recommendation
Office of Lottery and Charitable Games					
SPECIAL PURPOSE REVENUE FUNDS ('O'TYPE)	\$0	\$0			\$0
ENTERPRISE AND OTHER FUNDS	\$210,708,426	\$225,281,568	\$211,973,874		\$211,973,874
TOTAL GROSS FUNDS	\$210,708,426	\$225,281,568	\$211,973,874	\$0	\$211,973,874

Proposed Gross Funds FTEs					
Agency/Program	FY2018 Actuals	FY 2019 Approved	FY 2020 Proposed	Committee Variance	Committee Recommendation
Office of Lottery and Charitable Games					
ENTERPRISE AND OTHER FUNDS	0.00	76.50	76.50		76.50
SPECIAL PURPOSE REVENUE FUNDS ('O'TYPE)	0.00	0.00	0.00		0.00
TOTAL GROSS FUNDS	0.00	76.50	76.50	0.00	76.50

Proposed Operating Budget by CSG					
Agency/CSG	FY2018 Actuals	FY 2019 Approved	FY 2020 Proposed	Committee Variance	Committee Recommendation
Office of Lottery and Charitable Games					
11-REGULAR PAY - CONT FULL TIME	\$6,292,505	\$7,281,674	\$7,492,743		\$7,492,743
12-REGULAR PAY - OTHER	\$96,803	\$231,438	\$98,867		\$98,867
13-ADDITIONAL GROSS PAY	\$31,309	\$16,225	\$16,225		\$16,225
14-FRINGE BENEFITS - CURR PERSONNEL	\$1,371,277	\$1,720,503	\$1,738,479		\$1,738,479
15-OVERTIME PAY	\$49,494	\$156,000	\$156,000		\$156,000
20-SUPPLIES AND MATERIALS	\$62,537	\$338,000	\$325,000		\$325,000
30-ENERGY, COMM. AND BLDG RENTALS	\$10,535	\$48,978	\$16,721		\$16,721
31-TELECOMMUNICATIONS	\$231,272	\$226,741	\$251,742		\$251,742
32-RENTALS - LAND AND STRUCTURES	\$2,329,965	\$2,455,582	\$2,567,698		\$2,567,698
34-SECURITY SERVICES	\$1,365,675	\$822,183	\$712,685		\$712,685
35-OCCUPANCY FIXED COSTS	\$38,718	\$71,497	\$62,031		\$62,031
40-OTHER SERVICES AND CHARGES	\$7,692,843	\$9,518,804	\$9,874,695		\$9,874,695
41-CONTRACTUAL SERVICES - OTHER	\$10,180,974	\$14,711,821	\$15,584,261		\$15,584,261
50-SUBSIDIES AND TRANSFERS	\$180,631,553	\$187,232,123	\$172,651,728		\$172,651,728
70-EQUIPMENT & EQUIPMENT RENTAL	\$322,966	\$450,000	\$425,000		\$425,000
TOTAL GROSS FUNDS	\$210,708,426	\$225,281,568	\$211,973,874	\$0	\$211,973,874

Proposed Operating Budget by Program					
Agency/Program	FY2018 Actuals	FY 2019 Approved	FY 2020 Proposed	Committee Variance	Committee Recommendation
Office of Lottery and Charitable Games					
1000 - AGENCY MANAGEMENT	\$9,269,252	\$11,887,432	\$12,770,360		\$12,770,360
100F - AGENCY FINANCIAL OPERATIONS	\$182,226,599	\$188,974,299	\$174,465,293		\$174,465,293
6000 - GAMING OPERATIONS PROGRAM	\$19,212,575	\$24,419,837	\$24,738,221		\$24,738,221
9950 - AUDIT ADJUSTMENTS	\$0	\$0			\$0
TOTAL GROSS FUNDS	\$210,708,426	\$225,281,568	\$211,973,874	\$0	\$211,973,874

Committee Analysis and Comments

The Committee is generally pleased with and supportive of the Lottery's work. Last year marked an important year as the Lottery welcomed a new Executive Director, Beth Bresnahan, and saw legislation passed that will expand their offerings to sports wagering. Fiscal Year 2020 will prove critical as the Lottery attempts to revitalize transfers to the general fund, modernize Lottery offerings, and implement the regulation and operation of sports wagering.

Fiscal Year 2020 will be an exciting year for the Lottery. The Committee is pleased that the Lottery is refocusing on modernizing the offerings portfolio and adding new offerings. The Lottery reported strategizing about how to continue growth momentum in the instant tickets category, as well as how to boost sales in the draw category. The Committee supports the Lottery's drive to capture newer players through modernization and encourages the Lottery to present options for modernization to the Committee, such as pursuing online sale of lottery tickets and engaging local retailers.

However, the Committee is watchful as the Lottery transitions into Fiscal Year 2020. The Committee is focused on the expectation that the Lottery's sports wagering offering will be available January 2020. As this offering accounted for \$84.1 million of the projected \$91.74 million in projected revenue from the legalization of sports wagering, the Committee is concerned with additional delay.⁹ A third downgrade in the past year of the rating of the financial health of the current Lottery partner and proposed sports wagering partner troubles the Committee. Director Bresnahan testified that negotiations are in early stages with the Lottery vendor, the Council will have to approve any contract, and implementation will add another six months. The Committee urges the Lottery to consider how best to ensure the long-term financial stability of the Lottery's traditional product and quickly capitalize on the growth offered by legalizing sports betting. The Committee encourages the Lottery to continuously monitor whether to pivot to a competitive mobile marketplace, especially considering the projected start of private sports wagering in September 2019 and the delayed timeline for the Lottery offering.

Further, the Committee has ongoing questions as to why the Lottery does not feel that this budget allows them to meet all their statutory requirements. The Lottery noted in their budget responses that they would need changes to their budget to support their

⁹ See Fiscal Impact Statement, *Sports Wagering Lottery Amendment Act of 2018*, Bill 22-944 (Nov. 28, 2018).

statutory mandates. However, the Mayor’s proposed budget allocated all of the revenue generated by the Lottery for the general fund. As an enterprise agency, the Lottery budget can be increased to account for unanticipated expenses at any time of the year. But additional expenses would reduce the Lottery’s transfer to the general fund, call into question the balanced nature of the Mayor’s budget, and pressure other expenditures. The Committee encourages the Lottery to identify internal funding sources that can be used to cover the increased costs of implementing sports wagering without requesting further budget support.

The Committee notes that the Department of Justice’s (DOJ) 2018 Opinion titled *Reconsidering Whether the Wire Act Applies to Non-Sports Gambling*¹⁰ could have substantial impacts on transfers to the general fund from lottery and sports wagering revenue. The Committee is encouraged that the Lottery is continuing to monitor developments with this issue and the Office of the Attorney General has supported a lawsuit by the New Hampshire Lottery Commission pushing back against the DOJ opinion. The Committee encourages the Lottery to keep the Council apprised of future strategies for addressing this roadblock.

3. FISCAL YEAR 2020-2025 CAPITAL BUDGET

The Mayor has no proposed Fiscal Year 2020 – Fiscal Year 2025 capital budget for the Lottery.

4. COMMITTEE RECOMMENDATIONS

a. Fiscal Year 2020 Operating Budget Recommendations

The Committee recommends adoption of the Mayor’s Fiscal Year 2020 budget for the Lottery in the amount of \$211,973,874, a reduction of 5.9% from the 2019 budget.

b. Fiscal Year 2020 Capital Budget Recommendations

The Mayor has no proposed Fiscal Year 2020 – Fiscal Year 2025 capital budget for the Lottery.

c. Policy Recommendations

N/A

¹⁰ 42 Op. O.L.C. (2018)

D. REAL PROPERTY TAX APPEALS COMMISSION

1. AGENCY MISSION AND OVERVIEW

The mission of the Real Property Tax Appeals Commission (RPTAC) is to conduct fair and impartial hearings to review disputed real property tax assessments ensuring that properties are assessed at 100% of market value, and to resolve claims of improper real property classifications, homestead, and senior eligibility issues. RPTAC provides a second-level administrative remedy for property owners to adjudicate property assessments prior to potential formal litigation in D.C. Superior Court. Property owners are entitled to a second-level appeal after completing the first-level assessment appeal. First-level appeals are conducted with OTR Real Property Tax Assessors.

2. FISCAL YEAR 2020 OPERATING BUDGET

Proposed Gross Funds Operating Budget					
Agency/Fund	FY2018 Actuals	FY 2019 Approved	FY 2020 Proposed	Committee Variance	Committee Recommendation
Real Property Tax Appeals Commission					
LOCAL FUND	\$1,712,492	\$1,763,225	\$1,784,120		\$1,784,120
OPERATING INTRA-DISTRICT FUNDS	\$0	\$0			\$0
TOTAL GROSS FUNDS	\$1,712,492	\$1,763,225	\$1,784,120	\$0	\$1,784,120

Proposed Gross Funds FTEs					
Agency/Program	FY2018 Actuals	FY 2019 Approved	FY 2020 Proposed	Committee Variance	Committee Recommendation
Real Property Tax Appeals Commission					
LOCAL FUND	11.00	11.00	11.00		11.00
OPERATING INTRA-DISTRICT FUNDS	0.00	0.00	0.00		0.00
TOTAL GROSS FUNDS	11.00	11.00	11.00	0.00	11.00

Proposed Operating Budget by CSG					
Agency/CSG	FY2018 Actuals	FY 2019 Approved	FY 2020 Proposed	Committee Variance	Committee Recommendation
Real Property Tax Appeals Commission					
11-REGULAR PAY - CONT FULL TIME	\$329,924	\$375,403	\$381,507		\$381,507
12-REGULAR PAY - OTHER	\$777,545	\$751,955	\$766,994		\$766,994
13-ADDITIONAL GROSS PAY	\$996	\$0			\$0
14-FRINGE BENEFITS - CURR PERSONNEL	\$197,788	\$200,670	\$207,879		\$207,879
15-OVERTIME PAY	\$24	\$0			\$0
20-SUPPLIES AND MATERIALS	\$48,006	\$12,000	\$12,000		\$12,000
31-TELECOMMUNICATIONS	\$2,500	\$2,500	\$2,500		\$2,500
40-OTHER SERVICES AND CHARGES	\$234,749	\$285,698	\$278,240		\$278,240
41-CONTRACTUAL SERVICES - OTHER	\$116,535	\$125,000	\$125,000		\$125,000
70-EQUIPMENT & EQUIPMENT RENTAL	\$4,424	\$10,000	\$10,000		\$10,000
TOTAL GROSS FUNDS	\$1,712,492	\$1,763,225	\$1,784,120	\$0	\$1,784,120

Proposed Operating Budget by Program					
Agency/Program	FY2018 Actuals	FY 2019 Approved	FY 2020 Proposed	Committee Variance	Committee Recommendation
Real Property Tax Appeals Commission					
1000 - AGENCY MANAGEMENT	\$123,877	\$172,782	\$174,542		\$174,542
2000 - REAL PROPERTY APPEALS PROCESS	\$1,487,126	\$1,487,938	\$1,504,756		\$1,504,756
3000 - REAL PROPERTY OUTREACH EDUCATION	\$101,489	\$102,506	\$104,822		\$104,822
9960 - YR END CLOSE	\$0	\$0			\$0
TOTAL GROSS FUNDS	\$1,712,492	\$1,763,225	\$1,784,120	\$0	\$1,784,120

Committee Analysis and Comments

The Committee commends RPTAC on its ability to process their caseload within the statutory deadline and in a timely manner. Based on feedback to the Committee, there is room for improving the participation of part time commissioners. RPTAC raised this issue through Fiscal Year 2018 performance oversight and the Fiscal Year 2019 budget process. The Committee and the Executive have tried to work with RPTAC over the past year to identify a solution to this ongoing concern. As of this year, a workable solution has not been proposed but the Committee continues to explore way to address this challenge. Finally, the Committee notes that the Executive Director of RPTAC testified that, as of April 5, 2019, three commissioners are awaiting reappointment and one part-time commissioner position has yet to be filled. The Committee encourages the Mayor to act swiftly to make sure RPTAC is not understaffed for the upcoming appeals season.

The Committee will continue to work with RPTAC to examine ways to further assist them in meeting its goals. Focus could be given to issuing decisions on a rolling basis, when arguments from practitioners are more fresh in Commissioners' minds.

3. FISCAL YEAR 2020-2025 CAPITAL BUDGET

The Mayor has no proposed Fiscal Year 2020 – Fiscal Year 2025 capital budget for RPTAC.

4. COMMITTEE RECOMMENDATIONS

a. Fiscal Year 2020 Operating Budget Recommendations

The Committee recommends adoption of the Fiscal Year 2020 budget for the Commission in the amount of \$1,784,120.

b. Fiscal Year 2020 Capital Budget Recommendations

The Mayor has no proposed Fiscal Year 2020 – Fiscal Year 2025 capital budget for RPTAC.

c. Policy Recommendations

N/A

E. OFFICE OF FINANCE AND RESOURCE MANAGEMENT

1. AGENCY MISSION AND OVERVIEW

The mission of the Office of Finance and Resource Management (OFRM) is to provide financial and resource management services to various District agencies within the Governmental Direction and Support cluster. OFRM promotes the effective management of the District’s resources by continuously seeking improvements in operational efficiency on behalf of the government and the residents of the District. OFRM achieves its mission through three programs: (1) Financial Management; (2) Resource Management; and (3) Agency Management. The *Financial Management* division provides financial management services to enable agencies to accomplish programmatic goals and ensure financial health and positive recognition of the agency and the District government. The *Resource Management* division performs due diligence analysis to identify financial waste and abuse, and accounts for the use of all dollars expended from budgets of client agencies that are related to fixed costs. The *Agency Management* division provides for administrative support, and the required tools to achieve operational and programmatic results.

2. FISCAL YEAR 2020 OPERATING BUDGET

Proposed Gross Funds Operating Budget					
Agency/Fund	FY2018 Actuals	FY 2019 Approved	FY 2020 Proposed	Committee Variance	Committee Recommendation
Office of Finance and Resource Management					
LOCAL FUND	\$23,970,451	\$27,122,756	\$28,528,456		\$28,528,456
OPERATING INTRA-DISTRICT FUNDS	\$8,436,256	\$9,142,619	\$10,396,201		\$10,396,201
SPECIAL PURPOSE REVENUE FUNDS ('O'TYPE)	\$223,914	\$472,147	\$273,210		\$273,210
TOTAL GROSS FUNDS	\$32,630,621	\$36,737,522	\$39,197,867	\$0	\$39,197,867

Proposed Gross Funds FTEs					
Agency/Program	FY2018 Actuals	FY 2019 Approved	FY 2020 Proposed	Committee Variance	Committee Recommendation
Office of Finance and Resource Management					
LOCAL FUND	36.00	38.00	39.00		39.00
OPERATING INTRA-DISTRICT FUNDS	7.00	7.00	6.00		6.00
SPECIAL PURPOSE REVENUE FUNDS ('O'TYPE)	0.00	0.00	0.00		0.00
TOTAL GROSS FUNDS	43.00	45.00	45.00	0.00	45.00

Proposed Operating Budget by CSG					
Agency/CSG	FY2018 Actuals	FY 2019 Approved	FY 2020 Proposed	Committee Variance	Committee Recommendation
Office of Finance and Resource Management					
11-REGULAR PAY - CONT FULL TIME	\$4,691,090	\$5,046,277	\$5,301,250		\$5,301,250
12-REGULAR PAY - OTHER	\$15,418	\$49,566	\$0		\$0
13-ADDITIONAL GROSS PAY	\$73,968	\$0			\$0
14-FRINGE BENEFITS - CURR PERSONNEL	\$1,042,300	\$1,132,505	\$1,176,274		\$1,176,274
15-OVERTIME PAY	\$4,151	\$4,070	\$5,000		\$5,000
20-SUPPLIES AND MATERIALS	\$42,458	\$50,000	\$50,000		\$50,000
31-TELECOMMUNICATIONS	\$26,503,091	\$30,131,687	\$32,336,309		\$32,336,309
40-OTHER SERVICES AND CHARGES	\$213,588	\$283,418	\$289,035		\$289,035
70-EQUIPMENT & EQUIPMENT RENTAL	\$44,556	\$40,000	\$40,000		\$40,000
TOTAL GROSS FUNDS	\$32,630,621	\$36,737,522	\$39,197,867	\$0	\$39,197,867

Proposed Operating Budget by Program					
Agency/Program	FY2018 Actuals	FY 2019 Approved	FY 2020 Proposed	Committee Variance	Committee Recommendation
Office of Finance and Resource Management					
1000 - AGENCY MANAGEMENT	\$1,265,826	\$1,268,228	\$1,202,167		\$1,202,167
2000 - FINANCIAL MANAGEMENT	\$31,007,143	\$35,101,298	\$37,686,811		\$37,686,811
3000 - RESOURCE MANAGEMENT	\$357,651	\$367,997	\$308,889		\$308,889
9960 - AUDIT ADJUSTMENTS	\$0	\$0			\$0
TOTAL GROSS FUNDS	\$32,630,621	\$36,737,522	\$39,197,867	\$0	\$39,197,867

Committee Analysis and Comments

The Committee agrees with the Mayor's proposed budget in Fiscal Year 2020 for OFRM and believes that this funding level will sufficiently enable it to meet its mission. The Committee would like to have further discussions regarding consolidating this agency within the OCFO or another agency for budgetary purposes. The Committee intends to explore possible options and related best practices on the idea of consolidating the OFRM functions in another existing agency. The Committee also recommends an enhanced focus on fraud, waste and abuse within all government agencies.

3. FISCAL YEAR 2020-2025 CAPITAL BUDGET

The Mayor has no proposed Fiscal Year 2020 – Fiscal Year 2025 capital budget for the Office of Finance and Resource Management.

4. COMMITTEE RECOMMENDATIONS

a. Fiscal Year 2020 Operating Budget Recommendations

The Committee recommends adoption of the Mayor's Fiscal Year 2020 budget for the Office of Finance and Resource Management in the amount of \$39,197,867, a 6.7 percent increase over the Fiscal Year 2019 budget.

b. Fiscal Year 2020 Capital Budget Recommendations

The Mayor has no proposed Fiscal Year 2020- Fiscal Year 2025 capital budget for OFRM.

c. Policy Recommendations

N/A

H. DESTINATION DC

1. AGENCY MISSION AND OVERVIEW

Destination DC is a private, non-profit organization that serves as a tourism, promotional, and marketing arm for the District via a five-year contract with Events DC. Destination DC works to increase economic development for the city and maximize revenues for Events DC and the District government by increasing the number of overnight visitors. Formerly the Washington, DC Convention & Tourism Corporation, the entity was renamed Destination DC in 2008 to reflect the organization's increased emphasis on the city's unique assets. Destination DC is funded by a percentage of the city's hotel occupancy tax, along with membership dues and co-operative marketing fees. Destination DC's membership comprises over 850 businesses, including hotels, restaurants, attractions, museums, and cultural organizations. The entity operates under a Board of Directors that presents monthly to Events DC.

2. FISCAL YEAR 2020 OPERATING BUDGET

Destination DC is principally funded through a contract via the Convention Center Marketing Fund¹¹ managed by Events DC, which is not addressed in this report.¹² Of note is the \$3,000,000 local funds adjusted annually for inflation included in the Convention Center Transfer – Dedicated Taxes up until the Fiscal Year 2018 budget year. In Fiscal Year 2018, a new budget subtitle was included at the Committee of the Whole which adds a new dedicated tax of 0.3 percent on gross receipts from hospitality charges, including hotel rooms, and inns, and dedicates it to Events DC for transferring to Destination DC to market the District of Columbia as a destination. This is in lieu of the former \$3 million transfer and is approximately \$6 million annually, dependent on hotel tax receipts.

For Fiscal year 2020, Destination DC is anticipating a total annual budget of \$25.3 million compared to \$24.74 million in Fiscal Year 19. The majority of the year-over-year variance in budget is based on an increase in the hotel tax revenue projections for Fiscal Year 2020.

Committee Analysis and Comments

Destination DC reports it continues to promote Washington, DC with a goal of attracting visitors who will generate a positive economic impact for the city. Value is provided to a wide variety of visitors coming into the city each year: leisure visitors, both domestic and international, convention attendees, school groups, and business visitors. The District has experienced growth in total visitation every year since 2006. Destination DC continues to work to attract visitors from around the country and the world.

¹¹ D.C. Official Code §10-1202.08(a)(c) directs to the Marketing Fund no less than 17.4% collected from the tax imposed by §47-2002.02(1) and §47-2202.01(1) on a monthly as well as yearly basis.

¹² Committee reports in prior years have included standard format budget charts that simply had "0s" in each line item. The Committee has chosen to omit these charts, as Destination DC is not included in the budget books.

Destination DC (DDC) reports continuing to operate advertising campaigns under the DC Cool branding. At the beginning of 2019, DDC launched the “Discover the Real DC” advertising campaign under the DC Cool brand. The goal of the campaign is to highlight unexpected experiences in Washington, DC by showing everything from neighborhoods, to waterfront destinations, to events, and more. Destination DC refreshed advertising strategy when launching this campaign, by not only identifying key target markets, but also by targeting eight different types of travelers to DC. The different “traveler personas” are being targeted based on their interests, including family-friendly, sports, history, and more. Since launching, there has been steady growth to the “Discover the Real DC” campaign content on the website.

In Fiscal Year 2018, Destination DC generated coverage estimated at a value more than \$82.9 million in advertising, an all time high. Part of the success was due to increasing relationships and touchpoints with media in top visitor markets. Attractions in Fiscal Year 2020 that Destination DC will leverage include the move and reopening of the International Spy Museum to L’Enfant Plaza and the REACH, the Kennedy Center’s major expansion. Destination DC has added new representation in key international markets, including China, India, and Australia.

Comparisons are difficult as cities define visitors differently, however the District ranked 15th for released visitor counts in 2017 with 22.8 million visitors. The Committee looks forward to Destination DC’s proposals for how to increase the District’s visitor count above smaller cities such as Denver, San Diego, and Minneapolis.

Destination DC invested \$3.6 million on spring and summer campaigns in Fiscal Year 2018, similar to investments in Fiscal Year 2017, and increased tax return on investment to \$2.90 for every \$1 spent on the campaigns, up from \$2.77 in return per \$1 during Fiscal Year 2017. Destination DC reports that \$3.6 million in spending produced \$159 million in visitor spending and \$10.5 million in local taxes. The Committee looks forward to Destination DC’s plan to continue to increase the return on investment for every advertising dollar in Fiscal Year 2020.

3. FISCAL YEAR 2020-2025 CAPITAL BUDGET

The Mayor has no proposed Fiscal Year 2020 – Fiscal Year 2025 capital budget for Destination DC.

4. COMMITTEE RECOMMENDATIONS

a. Fiscal Year 2020 Operating Budget Recommendations

The Committee recommends adoption of the Mayor’s Fiscal Year 2020 budget for Destination DC in the amount of the dedicated tax of 0.3 percent on gross receipts from hospitality charges, including hotel rooms, and inns, and dedicated to the Washington Convention and Sports Authority for transferring to Destination DC.

b. Fiscal Year 2020 Capital Budget Recommendations

The Committee recommends adoption of the Mayor's Fiscal Year 2020 – Fiscal Year 2025 capital budget for Destination DC of \$0.

c. **Policy Recommendations**

N/A

I. WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

1. AGENCY MISSION AND OVERVIEW

The mission of the Washington Metropolitan Area Transit Authority (WMATA) is to provide the public with an efficient, affordable, and safe means of travel. WMATA is an interstate compact agency, and by the terms of its enabling legislation, an agency and instrumentality of the District of Columbia, the State of Maryland and the Commonwealth of Virginia. As such, the primary purpose of WMATA is to plan, develop, finance, and operate a comprehensive mass transit system for the Washington Metropolitan Area. The DC portion of the WMATA budget for Fiscal Year 2020 is \$467,622,161.

With respect to the District budget process, WMATA possesses four programs: (1) D.C. Specific (Reimbursable to WMATA) Projects; (2) Debt Service; (3) MetroAccess; and (4) WMATA Operations. The *D.C. Specific Projects* division monitors projects or programs that the District pays WMATA to operate or construct. Examples of such projects or programs include the DC Circulator bus system, the Metrorail Safety Commission, the Reduced Fares program, and the School Subsidy program—commonly referred to as the “Kids Ride Free” program. The *Debt Service* division covers the District’s annual share of financing costs for bonds sold by WMATA for the construction of the original system and for ongoing transit infrastructure rehabilitation and replacement. The *MetroAccess* division provides curb-to-curb wheelchair lift-equipped van service for persons unable to use accessible conventional bus or rail services. The *WMATA Operations* division ensures that Metrorail and Metrobus operate efficiently and on time within the District.

WMATA’s Fiscal Year 2020 (July 1, 2019 -June 30, 2020) begins the dedicated funding commitment contributions made by D.C., Maryland and Virginia last year. The city’s commitment begins in Fiscal Year 2020. This commitment solidifies the region’s priority for a system that is safe and reliable. The dedicated funding has WMATA focusing on \$1.4 Billion of investments in Fiscal Year 2020 and \$9.3 billion over the next six years to address decades of deferred maintenance and aging infrastructure. WMATA will also be looking to the federal government, which is the fourth partner in WMATA funding, to reauthorize the Passenger Rail Investment and Improvement Act of 2008 (PRIIA) to ensure this important part of WMATA’s capital improvement plan is not faced with a funding gap in its rebuilding plan but is completely funded by all partners. This investment by all regional partners is critical for WMATA to address various challenges that have presented the system with declining ridership.

2. FISCAL YEAR 2020 OPERATING BUDGET

Proposed Gross Funds Operating Budget					
Agency/Fund	FY2018 Actuals	FY 2019 Approved	FY 2020 Proposed	Committee Variance	Committee Recommendation
Washington Metropolitan Area Transit Authority					
SPECIAL PURPOSE REVENUE FUNDS ('O'TYPE)	\$49,080,135	\$43,000,000	\$48,000,000		\$48,000,000
DEDICATED TAXES	\$84,767,745	\$258,488,745	\$84,470,000		\$84,470,000
LOCAL FUND	\$284,880,422	\$110,685,914	\$335,152,161		\$335,152,161
TOTAL GROSS FUNDS	\$418,728,302	\$412,174,659	\$467,622,161	\$0	\$467,622,161

Proposed Operating Budget by CSG					
Agency/CSG	FY2018 Actuals	FY 2019 Approved	FY 2020 Proposed	Committee Variance	Committee Recommendation
Washington Metropolitan Area Transit Authority					
50-SUBSIDIES AND TRANSFERS	\$418,728,302	\$412,174,659	\$467,622,161		\$467,622,161
TOTAL GROSS FUNDS	\$418,728,302	\$412,174,659	\$467,622,161	\$0	\$467,622,161

Proposed Operating Budget by Program					
Agency/Program	FY2018 Actuals	FY 2019 Approved	FY 2020 Proposed	Committee Variance	Committee Recommendation
Washington Metropolitan Area Transit Authority					
DC00 - DC PROJECTS ONLY	\$42,630,110	\$10,719,568	\$24,220,000		\$24,220,000
DS00 - DEBT SERVICE	\$18,450,000	\$29,292,876	\$33,292,876		\$33,292,876
MA00 - METRO ACCESS	\$22,463,863	\$27,304,607	\$31,341,179		\$31,341,179
OP00 - WMATA OPERATIONS	\$335,184,329	\$344,857,608	\$378,768,106		\$378,768,106
TOTAL GROSS FUNDS	\$418,728,302	\$412,174,659	\$467,622,161	\$0	\$467,622,161

Committee Analysis and Comments

The Committee is pleased by the work undertaken by WMATA General Manager Paul J. Wiedefeld and staff to make the agency and transit service safe, reliable, and financially secure. The General Manager helped WMATA secure dedicated funding from the District, Virginia, and Maryland last year, a long held goal that will ensure the agency has the funding necessary to maintain and improve Metro. In WMATA's Fiscal Year 2020 budget, there will be no service cuts or fare increases as the agency continues to make improvements to the rail system. Maintenance and repairs of the rail system will continue in the long term because of the dedicated funding source from governments in D.C., Virginia, and Maryland. The Committee is encouraged by efforts in the Fiscal Year 2020 proposed budget that are aimed at growing ridership and improving the service provided to customers, including expanded rush hour periods, extended yellow line service to Greenbelt, running additional red line trains to Glenmont, and expanding all trains to eight cars (over a multi-year period). Each of these initiatives extends benefits to District of Columbia residents who use the Metrorail system. On the metrobus side, Fiscal Year 2020 includes modest projected increases to bus ridership with proposed lower prices for seven-day passes as well as corridor investments on 14th Street, NW; Alabama Avenue, SE; H Street, NE; and Minnesota Avenue NE/SE.

The General Manager continues his commitment to fiscal restraint by limiting WMATA's operating subsidy growth to three percent, ensuring money is spent wisely.

Further, Metro plans to acquire the 8000-series railcars to retire the 2000-series and 3000-series cars. The 7000-series cars account for more than half of all trains today.

The Committee is also pleased that WMATA's Fiscal Year 2018 CAFR was delivered on time. The Committee continues to monitor the financial management of the agency to ensure future audits are completed on time and action is taken to rectify any deficiencies found in those audits.

3. FISCAL YEAR 2020-2025 CAPITAL BUDGET

The Mayor's proposed Fiscal Year 2020 capital budget for the Authority of \$320,000,000 in Fiscal Year 2020 and \$1,714,000,000 over the course of the 6-year capital plan.

Committee Analysis and Comments

Similar to last year's proposed Capital Budget, approved funds will go to improving Metro's infrastructure and overall maintenance of the rail system. WMATA's Fiscal Year 2020 capital improvement program (CIP) increased from \$1.2791 billion last year to \$1.658 billion (a 29.6223 percent increase).

Investing in capital improvements is essential for Metro to make the rail system safe and reliable for riders. Outside daily maintenance and long-term infrastructure projects, Metro can begin planning the future of its railcar fleet with the 8000-series cars to modernize its trains. Also, Metro should consider using new technology to update fare boxes to allow riders to pay fares via their phones.

Metro must work to continue their mission to make the rail system safe, reliable, and affordable. Metro must be regarded as a necessity for the region. The PRIIA commitment is important, however according to WMATA's FY 2020 Budget and Financial Plan and FY 2019 approved budget, both have the PRIIA contribution for each jurisdiction at \$49.5 Million. The District has budgeted \$50 Million in Fiscal Year 2019 and Fiscal Year 2020. Therefore the Committee recommends directing the remaining balance of \$500,000 per year and \$1 Million over the course of FY 2019 and FY 2020 to another capital project.

4. COMMITTEE RECOMMENDATIONS

a. Fiscal Year 2020 Operating Budget Recommendations

The Committee recommends adoption of the Mayor's Fiscal Year 2020 budget for the Authority in the amount of \$467,622.161.

b. Fiscal Year 2020 Capital Budget Recommendations

The Committee recommends adoption of the Mayor's Fiscal Year 2020 capital budget for the Authority of \$319,500,000 in Fiscal Year 2020 and \$1,713,500,000 over the course of the 6-year capital plan.

c. **Policy Recommendations**

N/A

III. TRANSFERS TO OTHER COMMITTEES

In addition to the changes recommended for agencies within its jurisdiction, the Committee has worked with other committees to identify funding needs and recommends transfers to support programs in those other committees as described below.

ADVISORY NEIGHBORHOOD COMMISSION

The Committee recommends transferring the following amounts to the Committee on Facilities and Procurement:

- \$20,000 in one-time funds to the Advisory Neighborhood Commission to help fund the communication access fund to be used at Advisory Neighborhood Commission monthly meetings.

DEPARTMENT OF GENERAL SERVICES

The Committee recommends transferring the following amounts to the Committee on Facilities and Procurement:

- \$75,000 in one-time funds to the Department of General Services contracting and procurement for improvements and plantings at Rose Park.
- \$50,000 in one-time funds to the Department of General Services contracting and procurement for field improvements at Francis Dog Park.
- \$50,000 in one-time funds to the Department of General Services contracting and procurement to fix the irrigation system and flashing at the Spanish Steps.

DEPARTMENT OF SMALL LOCAL BUSINESS DEVELOPMENT

The Committee recommends transferring the following amounts to the Committee on Business and Economic Development:

- \$48,000 in recurring funds to the Department of Small Local Business Development Commercial Clean Teams for additional staff resources to help the Mid-City Commercial Clean team service the 14th Street, N.W. corridor south of U Street, N.W.

OFFICE OF THE STATE SUPERINTENDENT OF EDUCATION

The Committee recommends transferring the following amounts to the Committee on Education:

- \$1,161,015 in recurring funds to the Office of the State Superintendent of Education to help fund Law 22-179, the “Birth-to-Three for All DC Act of 2018” (Birth to Three).

DEPARTMENT OF TRANSPORTATION

The Committee recommends transferring the following amounts to the Committee on Transportation and the Environment:

- \$1,000,000 in capital funding to the Department of Transportation project LMBSS-Streetscapes and Beautification to provide electricity, irrigation and concrete installation

pads in the medians on New York Avenue, NW from 9th Street to 12th Street, NW. The Downtown Business Improvement District will partner with the National Museum of the Women in the Arts and the adjacent property owners to fund the public art for the new three blocks.

IV. BUDGET SUPPORT ACT RECOMMENDATIONS

On Wednesday, March 20, 2019, Chairman Mendelson introduced, on behalf of the Mayor, the “Fiscal Year 2020 Budget Support Act of 2019” (Bill 23-209). The Bill contains several subtitles for which the Committee has provided comments as noted in section IV (A) below. The Committee also recommends the addition of new subtitles as noted in section IV (B).

A. RECOMMENDATIONS ON MAYOR’S PROPOSED SUBTITLES

The Committee provides comments on the following subtitles of the “Fiscal Year 2020 Budget Support Act of 2019”:

1.	Title II. Subtitle E. Creative and Open Space Modernization Tax Rebate Program Amendment ..	38
2.	Title III. Subtitle C. Emergency and Non-Emergency Telephone Calling Systems Funding	39
3.	Title IV. Subtitle D. Recovery of Delinquent Non-Resident Tuition Payments	41
4.	Title VI. Subtitle F. Student, Youth, and Learner Transit Subsidy Program.....	41
5.	Title VII. Subtitle A. Senior Residents Real Property Tax Cap Conformity for Units in Cooperative Housing Associations	43
6.	Title VII. Subtitle B. Keep Childcare Affordable Tax Credit	43
7.	Title VII. Subtitle C. Keep Housing Affordable Increased Tax Relief	44
8.	Title VII. Subtitle D. Deed and Recordation Taxes Funding for Affordable Housing	47
9.	Title VII. Subtitle E. Fiscal Year 2019 Internet Sales Tax Revenue	48
10.	Title VII. Subtitle F. Commercial Property Tax Rate	49
11.	Title VII. Subtitle H. Sports Wagering Revenue	50

TITLE II. SUBTITLE E. CREATIVE AND OPEN SPACE MODERNIZATION TAX REBATE PROGRAM AMENDMENT¹³

a. Purpose, Effect, and Impact on Existing Law

The Creative and Open Space Modernization tax rebate program¹⁴ provides rebates for Qualified High Technology Companies¹⁵ that make improvements to their leased spaces. The Deputy Mayor for Planning and Economic Development (DMPED) reviews applications for the rebates and pays approved rebates from DMPED’s Economic Development Special Account.¹⁶ The rebates cannot exceed \$1 million for a single

¹³ While the Mayor’s Budget Support Act referred to the subtitle as the Qualified High Technology Tax Abatement Amendment Act, as this subtitle actually changes the definitions of who qualifies for the Creative and Open Space Modernization tax rebate program, the Committee has modified the subtitle accordingly.

¹⁴ D.C. Official Code § 47-4665. For more information on the program and application procedures, visit DMPED’s website on the program: <https://dmped.dg.gov/cosm>.

¹⁵ As defined in D.C. Official Code § 47-1817.01(5), Qualified High Technology Companies are for-profit entities with two or more employees in the District that derive at least 51 percent of gross revenue from a long list of specific high technology products and services.

¹⁶ D.C. Official Code § 2-1225.21. Economic Development Special Account.

company per fiscal year, and the total of all rebates for all tenants cannot exceed \$3 million per fiscal year.

The subtitle changes the definition of a qualified occupant improvement to include work done by the property owner or landlord on the eligible premises¹⁷, not just work done by the eligible company.

b. Committee Reasoning

The Committee recommends adopting the proposed subtitle for the foregoing reasons.

c. Section-by-Section Analysis

N/A

d. Legislative Recommendations for Committee of the Whole

See attachment C.

e. Fiscal Impact

The fiscal impact of the subtitle was incorporated into the Fiscal Year 2020 budget and financial plan.

TITLE III. SUBTITLE C. EMERGENCY AND NON-EMERGENCY TELEPHONE CALLING SYSTEMS FUNDING

a. Purpose, Effect, and Impact on Existing Law

The Emergency and Non-Emergency Telephone Calling Systems Funding subtitle imposes an 80-cent¹⁸ per room, per night tax on hotel¹⁹ room and suite stays in the District. The District will deposit the tax proceeds into the Emergency and Non-Emergency Number Telephone Calling Systems Fund²⁰ to support the Office of Unified Communication's (OUC) 911 system. The 911 system includes all the 911 emergency and 311 non-emergency call center operations and related technology. It is estimated this tax increase would generate approximately \$7.2 million annually which would cover a projected deficit in funding for the 911 and 311 systems beginning in Fiscal Year 2020. Previous efforts to raise this tax, including as recently as the Fiscal Year 2018 Budget

¹⁷ Eligible premises include nonresidential, interior portions of an eligible building that is used as an office by a qualified entity under a lease, sublease, or purchase and sale agreement.

¹⁸ The bill requires the rate to be adjusted annually based on the Consumer Prices Index for All Urban Consumers for the Washington-Arlington-Alexandria, DC-MD-VA-WV Metropolitan Statistical Area.

¹⁹ The subtitle defines a hotel as any building or part of a building in which not less than thirty rooms or suites are reserved for transient guests on a daily basis.

²⁰ The Emergency and Non-Emergency Telephone Calling Systems Fund Act of 2000, effective October 19, 2000 (D.C. Law 13-172; D.C. Official Code § 34-1802).

proposed by the Mayor that included a \$0.50 tax have not been successful. However, it is noted that the costs of operating our 911 and 311 systems have risen.

The Hotel Association of Washington, D.C. (HAWDC) provided testimony at the Committee's April 5th Budget hearing in opposition to this increased tax. HAWDC cited the already high hotel sales tax imposed on guests of 14.95%, which has been raised twice in the past two years,²¹ and caution that event planners look at a city's occupancy tax when deciding on which city will host their conference. Wanting Washington, D.C. to be the premiere global convention, tourism, and special events destination the Committee is worried this goal cannot be achieved if the hotel tax is increased year after year. This causes uncertainty in planning and makes the cost to stay in Washington prohibitive. HAWDC further noted that the hotel industry already contributes heftily to the city's economy and proudly invests in education and workforce development initiatives. HAWDC does not feel they should bear the burden of supporting this agency. Further, according to the February 2019 Revenue Estimate issued by the OCFO, hotel room-days sold for the three months ending December 2018 did not increase from the prior year, and hotel room revenues were down 4.7% due to decline in the average room rate.

The OUC director provided testimony to the Committee on the Judiciary and Public Safety indicating that, without this fee enhancement, OUC is vulnerable to failing to build and maintain its infrastructure at a pace necessary to fulfill its mission. The Committee believes there are other ways to ensure the OUC has the budget necessary to carry out its mission effectively and efficiently without this tax increase, for instance other new revenue streams the Mayor chose to tap this year.

b. Committee Reasoning

The Committee recommends eliminating the proposed subtitle for the foregoing reasons.

c. Section-by-Section Analysis

N/A

d. Legislative Recommendations for Committee of the Whole

See attachment C.

e. Fiscal Impact

The fiscal impact of the subtitle was incorporated into the Fiscal Year 2020 budget and financial plan. Removing the subtitle would potentially have a fiscal impact, as the revenue generated from this subtitle has been directed to the OUC. The Committee encourages the full Council to identify funding to cover any shortfall.

²¹ Fiscal Year 2018 raised the transient accommodations tax from 14.5% to 14.8%; Fiscal Year 2019 raised it from 14.8% to 14.95%.

TITLE IV. SUBTITLE D. RECOVERY OF DELINQUENT NON-RESIDENT TUITION PAYMENTS

a. Purpose, Effect, and Impact on Existing Law

This subtitle requires²² that any delinquent non-resident tuition recovered by Office of the Chief Financial Officer’s Central Collections Unit (CCU) be deposited into the Office of the State Superintendent of Education’s (OSSE) Student Residency Verification Fund rather than into the Delinquent Debt Fund. OSSE’s Student Residency Verification Fund receives revenue from tuition payments made by parents who are not District residents but send their children to public school. The Fund also collects fines imposed on non-resident families who send their children to public schools.

b. Committee Reasoning

The Committee recommends adopting the proposed subtitle for the foregoing reasons.

c. Section-by-Section Analysis

N/A

d. Legislative Recommendations for Committee of the Whole

See attachment C.

e. Fiscal Impact

The fiscal impact of the subtitle was incorporated into the Fiscal Year 2020 budget and financial plan.

TITLE VI. SUBTITLE F. STUDENT, YOUTH, AND LEARNER TRANSIT SUBSIDY PROGRAMS

a. Purpose, Effect, and Impact on Existing Law

The subtitle expands²³ the Kids Ride Free program to include travel during the summer for educational and other purposes, including participation in the Summer Youth Employment Program (SYEP). SYEP participants who have access to subsidized transit fares through the Kids Ride Free will no longer be eligible for the SYEP transit subsidy and must use their Kids Ride Free card for transportation to and from SYEP activities.

²² By amending the Delinquent Debt Recovery Act of 2012, effective September 20, 2012 (D.C. Law 19-168; D.C. Official Code § 1-350.01 et seq.).

²³ By repealing and replacing The School Transit Subsidy Act of 1978, effective March 6, 1979 (D.C. Law 2-152; D.C. Official Code § 35-231 et seq.).

SYEP participants range in age from 14 to 24 years, and those enrolled in primary or secondary school, or another program eligible for a Kids Ride Free subsidy, should have access to a Kids Ride Free card. Older participants not enrolled in school who are ineligible for Kids Ride Free will receive a transit subsidy through the SYEP.

The subtitle makes other changes to the D.C. Code to streamline the Code and align it with current practice, such as:

- Removing the requirement that the District charge private school students a separate monthly fee to use Metrorail, making Kids Ride Free cards available to both public and private school students. This allows the program to use the same student card and inventory system for both public and private schools. The separate monthly fee for private school students previously did not generate significant revenue but added administrative complexity.
- Authorizing the Mayor to impose a card replacement fee.
- Removing outdated provisions to match the program's modern operations (for example, removing references to student fare products that WMATA no longer sells or accepts).

The Committee is aware that the Committee on Labor and Workforce Development is considering changes to this subtitle to include a floor amount per month of \$60 for the adult learner program and to increase the daily SYEP subsidy from \$3.80 to \$4.00, with the total subsidy growing from \$110 to \$116 per summer. The Committee supports the policy goal of improving and expanding access to transportation for students and supports the Committee on Labor and Workforce Development on proposed solutions in the Fiscal Year 2020 budget.

b. Committee Reasoning

The Committee recommends adopting the proposed subtitle for the foregoing reasons.

c. Section-by-Section Analysis

N/A

d. Legislative Recommendations for Committee of the Whole

See attachment C.

e. Fiscal Impact

The fiscal impact of the subtitle was incorporated into the Fiscal Year 2020 budget and financial plan.

TITLE VII. SUBTITLE A. SENIOR RESIDENTS REAL PROPERTY TAX CAP CONFORMITY FOR UNITS IN COOPERATIVE HOUSING ASSOCIATIONS

a. Purpose, Effect, and Impact on Existing Law

The Fiscal Year 2019 Budget Support Act²⁴ lowered the cap²⁵ on assessment growth to five percent annually for homestead-qualified residents over the age of 65, or with a permanent disability, and with a household adjusted gross income of less than \$125,000. The Mayor's proposed subtitle clarifies that the five percent cap applies to qualified senior and disabled residents living in cooperative housing associations.²⁶ The subtitle also includes language provided by OTR to ensure that the credit attributable to a senior is actually passed on that senior's household and not shared among the cooperative as a whole. The clarification applies as of October 1, 2018.

b. Committee Reasoning

The Committee recommends adopting the proposed subtitle for the foregoing reasons.

c. Section-by-Section Analysis

N/A

d. Legislative Recommendations for Committee of the Whole

See attachment C.

e. Fiscal Impact

The fiscal impact of the subtitle was incorporated into the Fiscal Year 2020 budget and financial plan.

TITLE VII. SUBTITLE B. KEEP CHILD CARE AFFORDABLE TAX CREDIT

a. Purpose, Effect, and Impact on Existing Law

The Keep Childcare Affordable Tax Credit as proposed by the Mayor permanently extends the Early Learning Tax Credit Amendment Act of 2018.²⁷ The credit previously applied only to tax year 2018. It provides a refundable income tax

²⁴ Section 2007 of D.C. Law 22-168, effective October 30, 2018. 81

²⁵ D.C. Official Code § 47-864(b).

²⁶ D.C. Official Code § 29-901 et seq.

²⁷ D.C. Official Code 47-1806.15.

credit up to \$1,000 per eligible child age 3 and under for taxpayers who have enrolled their child, and incurred spending, at a licensed child development facility in the District. To be eligible, a taxpayer must have taxable income of less than \$750,000 and must not currently be receiving child care subsidies under the Office of State Superintendent of Education Subsidy Program. The subtitle increases the maximum credit available according to inflation, beginning in fiscal year 2021.

However, the Committee is concerned that this type of income tax credit is not targeted to District residents who actually need this assistance. The OCFO provided estimated claims for this credit showing²⁸ that over 50 percent of the benefits paid out have gone to those earning more than \$150,000 per year. The Birth-to-Three for All DC act is also legislation geared at supporting those trying to raise children under three years of age in the District. Advocates have argued that the Committee should do away with the tax credit entirely and send all revenue to the Birth-to-Three for All DC act. The Committee proposes a middle ground where those raising young children in the District with taxable income of less than \$150,000 can still receive the credit, but savings from eliminating the credit for those with income in excess of \$150,000 will be directed to help fund the Birth-to-Three for All DC act.

b. Committee Reasoning

The Committee recommends amending the proposed subtitle for the foregoing reasons.

c. Section-by-Section Analysis

N/A

d. Legislative Recommendations for Committee of the Whole

See attachment C.

e. Fiscal Impact

The fiscal impact of the subtitle was incorporated into the Fiscal Year 2020 budget and financial plan. Amending the subtitle will free additional revenue to direct to the Birth-to-Three for All DC act.

TITLE VII. SUBTITLE C. KEEP HOUSING AFFORDABLE INCREASED TAX RELIEF

a. Purpose, Effect, and Impact on Existing Law

²⁸ See OCFO FY 2020 budget response follow up answers, *Attachment B*.

The subtitle as proposed by the Mayor increases the maximum per taxpayer Schedule H real property tax credit²⁹ from \$1,000 to \$1,200. It also raises the income eligibility threshold for the credit by \$15,000 for non-seniors³⁰ and applies a different credit calculation formula for the higher income threshold. Currently, the Schedule H credit equals the amount of property tax paid (or 20 percent of rent paid) above three percent of a filer's Adjusted Gross Income ("AGI"), if the filer's AGI is less than \$25,000. If the filer's AGI is between \$25,000 and \$50,000, the credit equals the amount of property tax paid (or 20 percent of rent paid) above four percent of a filer's AGI. Tax filers with AGI above \$50,000 are not eligible.

The subtitle adjusts the second threshold to allow for filers with AGI between \$25,000 to \$51,999 to receive a credit if property tax paid (or 20 percent of rent paid) is more than four percent of a filer's AGI. It also adds a third threshold for filers with AGI between \$52,000 and \$65,000 to receive a credit if property tax paid (or 20 percent of rent paid) is more than five percent of a filer's AGI. Tax filers with AGI above \$65,000 will not be eligible (unless the filer is a senior).

Lastly, the maximum AGI for seniors is increased from \$60,000 to \$80,000. The credit for senior claimants is calculated as the amount of property tax paid (or 20 percent of rent paid) above three percent of a filer's AGI.

The Committee greatly appreciates the Mayor's efforts to expand the Schedule H credit, and her recognition of its importance to low-income families. However, the Committee recommends making several changes to the credit. First, the Committee recommends lowering the proposed increase in income limits to \$75,000 for seniors, and \$55,000 for all other claimants. While the Committee agrees that expanding the eligibility level is important, it believes there are higher priority issues with the Schedule H credit. Therefore, the Committee recommends using the savings from lowering the proposed thresholds to fund the elimination of including dependent income in the credit calculation.

Currently, the law requires taxpayers include any income from their dependents in the calculation of AGI for determining eligibility³¹. For instance, if the taxpayer earns \$50,000, and their dependent child earns \$2,000 from the Summer Youth Employment Program, that additional income would mean the taxpayer is not eligible for the Schedule H credit. This requirement restricts who can receive the credit, and unnecessarily punishes taxpayers with dependents who earn relatively small amounts of money. Thus, the Committee recommends removing the requirement for listing dependent income, which will greatly increase the number of taxpayers who can receive the credit.

Second, the Committee recommends two changes to the administration of the Schedule H credit. First, the Committee recommends requiring the District accept electronic submission of standalone forms, such as Schedule H, along with forms that

²⁹ D.C. Official Code 47-1806.06.

³⁰ For the purposes of the Schedule H credit, this applies to those under 70 years of age.

³¹ D.C. Official Code 47-1806.06 (j)(1).

have zero dollars of federal adjusted gross income. Currently, Schedule H can be filed by itself, without an accompanying District tax return. However, it is difficult for taxpayers to file it electronically, especially because the District often does not electronically accept tax returns with zero AGI listed (many Schedule H credits have zero AGI, for instance if the taxpayer has only Social Security income, which often isn't taxable). Accepting these returns electronically will greatly improve the administration of the credit, and ease the burden of filing for taxpayers. The Committee also incorporates some suggested technical changes from the OCFO to move the credit and income eligibility ceilings to accommodate any increase by the cost of living adjustment, provide for a defined and definitive means for determining the cost of living adjustment and provide for an applicability date based on a calendar year.

Finally, the Committee recommends prohibiting the District from asking the taxpayer for additional information on income sources outside of AGI. Currently, the Schedule H form requires taxpayers list any additional money they use to pay for rent other than that included in their AGI. While the Committee recognizes the requirement was added in an effort to reduce tax fraud, this requirement has no basis in District law, and is unnecessarily burdensome on District taxpayers. Further, the Committee is concerned that the requirement has not reduced tax fraud in a significant or meaningful way but has deterred eligible taxpayers from receiving their rightful tax credit. Therefore, the Committee recommends prohibiting asking for the information, unless done as part of an audit of the taxpayer.

b. Committee Reasoning

The Committee recommends adopting the proposed subtitle for the foregoing reasons.

c. Section-by-Section Analysis

N/A

d. Legislative Recommendations for Committee of the Whole

See attachment C.

e. Fiscal Impact

The proposed changes to the subtitle are revenue neutral as the savings from adjusting the income thresholds for claimants result in a savings of \$1,496,000 in Fiscal Year 2020. These funds will cover the cost of eliminating the dependent income requirement which is estimated by the OCFO to cost \$949,000 in Fiscal Year 2020, and also support one time IT costs of \$60,000 to accept all Schedule H returns. The balance of which goes to fund the following initiatives: communication access fund for Advisory Neighborhood Commission Meetings, improvements and plantings at Rose Park, field improvements at Francis Dog Park, improvements to the Spanish Steps, additional

support for the Mid-City Clean Team, and the fiscal effect of a correction to Law 22-79, the “Africare Real Property Tax Relief Act of 2018.”

TITLE VII. SUBTITLE D. DEED TRANSFER AND RECORDATION TAXES AND FUNDING FOR AFFORDABLE HOUSING

a. Purpose, Effect, and Impact on Existing Law

This subtitle as proposed by the Mayor increases the deed transfer³² and deed recordation³³ tax rates for mixed-use and commercial real estate transactions valued at \$2 million or higher. Both tax rates will increase to 2.5 percent for these properties; currently both rates are 1.45 percent. Additionally, a deed that evidences a transfer of an economic interest in mixed-use or commercial property at \$2 million or above will be taxed at a rate of 5 percent. Currently those transfers are taxed at 2.9 percent. Starting in Fiscal Year 2020, fifteen percent of both taxes are deposited into the Housing Production Trust Fund.

According to the 2018 D.C. Tax Facts, an annual publication of the Office of Revenue Analysis in the OCFO, the imposition of the recordation tax dates back to 1976, adding the imposition of a transfer tax in 1980 and further expanding to include a recordation tax on transfers or economic interest in Fiscal Year 1990. The rate imposed on these transactions has adjusted over the years, including an increase from 1.1% to 1.5% in Fiscal Year 2003, with a decrease to 1.1% in Fiscal Year 2005. Then another increase to 1.45% occurred in Fiscal Year 2007. Residential transactions have seen further adjustments in the rate imposed, most recently they were reduced in Fiscal Year 2018 for eligible first-time homebuyers to 0.725%. The commercial rate has remained at 1.45% since Fiscal Year 2007. The rate imposed on transfers of economic interest was increased from 2.2% to 2.9% in 2009. The new rates will put the District of Columbia high above our neighboring jurisdictions where Montgomery County, MD reportedly charges 2.35% and Alexandria, Virginia charges 0.483%.

The February 2019 revised revenue estimate provided by the OCFO notes that deed taxes remain strong, with expected growth based on year-to-date collection information. However, the revenue estimate also notes that “...deed tax revenue, which is driven by major commercial property sales is notoriously volatile. While raising interest rates could dampen demand for commercial real property, growing international uncertainty could increase demand for safe assets like commercial property.”

Given the strength of our local economy, which is expanding, the Committee questions whether it is good policy to raise taxes in this environment. By raising additional revenue, when the District has no revenue shortfall, to add to the additional \$1 billion in the budget reduces the District’s ability to tap these streams of revenue in the future. Actions, such as this proposal to increase the deed transfer and recordation tax, or raising the commercial property tax rate, or increasing the hotel tax, should be saved for

³² D.C. Official Code § 42-1103.

³³ D.C. Official Code § 47-903.

when economic conditions necessitate raising revenue, for instance the next economic contraction, whenever that should occur.

b. Committee Reasoning

The Committee recommends, with caution, adopting the proposed subtitle for the foregoing reasons.

c. Section-by-Section Analysis

N/A

d. Legislative Recommendations for Committee of the Whole

See attachment C.

e. Fiscal Impact

The fiscal impact of the subtitle was incorporated into the Fiscal Year 2020 budget and financial plan.

TITLE VII. SUBTITLE E. FISCAL YEAR 2019 INTERNET SALES TAX REVENUE

a. Purpose, Effect, and Impact on Existing Law

Fiscal year 2019 revenues generated by the 2018 Internet Sales Tax law were dedicated³⁴ to the Commission on Arts and Humanities (the Commission). The subtitle as proposed by the Mayor repeals the fiscal year 2019 dedication to the Commission. The Committee notes that the Commission expected a budget closer to \$40 million for Fiscal Year 2019 and ended up receiving closer to \$30 million from the dedicated funding for the arts. This shortfall hampered the Commission's efforts to support and expand a thriving arts culture in the District. The Council identified additional funds due to legislative changes during Fiscal Year 2019 and directed these funds to the Commission. These funds, from internet sale tax revenue from January 1, 2019 to October 1, 2019, were directed to supplement the Commission's budget and the Committee recommends returning these funds to the Commission.

b. Committee Reasoning

The Committee recommends eliminating the proposed subtitle for the foregoing reasons.

³⁴ D.C. Act 22-584, Internet Sales Tax Amendment Act of 2018, projected law date March 28, 2019 (66 DCR 1362).

c. **Section-by-Section Analysis**

N/A

d. **Legislative Recommendations for Committee of the Whole**

See attachment C.

e. **Fiscal Impact**

The fiscal impact of the subtitle was incorporated into the Fiscal Year 2020 budget and financial plan. Removing the removal of the dedication would have a fiscal impact, as the revenue for a short period in 2019 would not be directed to the general fund. The Committee encourages the full Council to identify funding to cover any shortfall.

TITLE VII. SUBTITLE F. COMMERCIAL PROPERTY TAX RATE

a. **Purpose, Effect, and Impact on Existing Law**

The subtitle as proposed by the Mayor maintains the current class 2 commercial rate of \$1.89 per \$100 value on properties with an assessed value greater than \$10 million. Under current law³⁵, any new sales tax revenue generated by the Internet Sales Tax bill is to be used to lower the Class 2 commercial property tax rate on properties with an assessed value greater than \$10 million until the rate reaches \$1.85 per \$100 of assessed property value. The subtitle repeals this rate reduction trigger. The Committee disagrees with the repeal of the rate reduction trigger. However, if the commercial real property rate is not to be reduced, the Committee recommends sending revenue realized from the increased commercial property tax rate to fund dual priorities of the Committee, equally between funding the Birth-to-Three for All DC Amendment Act of 2018³⁶ and the Neighborhood Safety and Engagement Fund.³⁷

b. **Committee Reasoning**

The Committee recommends amending the proposed subtitle for the foregoing reasons.

c. **Section-by-Section Analysis**

N/A

d. **Legislative Recommendations for Committee of the Whole**

³⁵ D.C. Law 22-258, effective March 22, 2019.

³⁶ D.C. Law 22-179, effective October 30, 2018.

³⁷ D.C. Official Code § 7-2413.

See attachment C.

e. Fiscal Impact

The amended subtitle increases property tax revenue over the proposed budget and financial plan and directs the revenue to two Council priorities. To the extent that the dedication of funding to the Birth-to-Three for All DC Amendment Act of 2018 and the Neighborhood Safety and Engagement Fund diverts funds from the General Fund, the Committee encourages the full Council to identify funds to cover any shortfall.

TITLE VII. SUBTITLE H. SPORTS WAGERING REVENUE

a. Purpose, Effect, and Impact on Existing Law

The recent law³⁸ authorizing sports wagering dedicated all tax revenue from private sports gaming wagering to three different sources. The first \$200,000 is dedicated to the Department of Behavioral Health (DBH) for prevention and treatment of gambling addiction, and the remaining revenue is divided equally between funding the Birth-to-Three for All DC Amendment Act of 2018³⁹ and the Neighborhood Safety and Engagement Fund.⁴⁰

The subtitle as proposed by the Mayor eliminates the dedications to Birth-to-Three for All DC and the Neighborhood Safety and Engagement Fund. The \$200,000 dedication to DBH is unchanged. The Committee disagrees with the elimination of the dedications to Birth-to-Three for All DC and the Neighborhood Safety and Engagement Fund. The clear intent of the Council with these dedications was to provide a revenue stream for these important programs that would grow as the sports wagering industry matures. Given that revenue estimates for sports wagering in the District have been difficult to predict, this source of funding could be a boon for these two worthy causes if this industry exceeds expectations. While the Mayor has argued that these streams of funding are too speculative for these important programs, nothing in the subtitle removes other streams of funding. The potential of sports wagering to exceed revenue expectations and potentially provide transformative levels of funding to these crucial programs is exactly the reason the Council chose to dedicate this funding.

Further, the Committee notes that some Councilmembers have expressed frustration with the final direction of the revenue from sports wagering. There appears to have been miscommunication about where the revenue streams generated from legalized sports wagering would be directed. The majority of the revenue is directed to the general fund, with only a small percentage of the total collected in the four-year revenue plan

³⁸ Sports Wagering Lottery Amendment Act of 2018, projected law date May 23, 2019 (D.C. Act 22-954; 66 DCR 1402).

³⁹ D.C. Law 22-179, effective October 30, 2018.

⁴⁰ D.C. Official Code § 7-2413.

directed to the Birth-to-Three for All DC act and the Neighborhood Safety and Engagement Fund. The Committee considers these two programs to be vital and finds that the intent of the Council was to direct all revenue from sports wagering to these programs. Therefore, the Committee encourages the Council to direct all revenue from District operated sports wagering and from taxes collected from private sports wagering to these dual priorities.

b. Committee Reasoning

The Committee recommends amending the proposed subtitle for the foregoing reasons.

c. Section-by-Section Analysis

N/A

d. Legislative Recommendations for Committee of the Whole

See attachment C.

e. Fiscal Impact

The fiscal impact of the subtitle was incorporated into the Fiscal Year 2020 budget and financial plan. Removing the removal of the dedication would have a fiscal impact, as the revenue from District operated sports wagering would be diverted from the general fund. The Committee encourages the full Council to identify funding to cover any shortfall.

B. RECOMMENDATIONS FOR NEW SUBTITLES

The Committee on Finance and Revenue recommends the following new subtitles to be added to the “Fiscal Year 2020 Budget Support Act of 2019”:

1.	Title X. Subtitle X. VETERAN RETIREMENT INCOME TAX EXCLUSION.....	52
2.	Title X. Subtitle X. TAX ADMINISTRATION CLARIFICATION.....	53
3.	Title X. Subtitle X. SPORTS WAGERING CLARIFICATION	54
4.	Title X. Subtitle X. SPECIAL FUNDS CLARIFICATION	55

TITLE X. SUBTITLE X. VETERAN RETIREMENT INCOME TAX EXCLUSION

a. Purpose, Effect, and Impact on Existing Law

Retired veterans often live on a fixed income received from the Veteran’s Administration. This income may reflect moderate yearly increases tied to the consumer price index.⁴¹ However, the housing market in the District has increased quicker than the national average⁴², which often causes residents to pay higher yearly taxes on their properties or higher monthly rent. Veterans living on fixed retirement payments may be priced out of remaining in the District or dissuaded from moving to the District. Further, as Rear Admiral (retired) Julia Plotnick testified at the April 5, 2019 budget hearing for the OCFO, 33 states do not tax military retirement pay or otherwise treat this pay advantageously. The Rear Admiral also noted that Virginia has no tax relief for veteran’s retirement income and Maryland excludes only \$15,000 of income. She pointed out that this subtitle could attract veterans to retire in the District. These veterans would not burden the school system as few have school aged children, would pay property taxes, and would spend money at District businesses.

The subtitle would help cost burdened veteran retirees living on fixed incomes in a city where the cost of living is rising. These veterans have, by definition, served their country for many years and retired under honorable conditions from service. As such, the Committee supports the proposal to exempt veteran retirement income from taxes.

b. Committee Reasoning

The Committee recommends adopting the proposed subtitle as amended by the general counsel for the foregoing reasons.

⁴¹ <https://militarybenefits.info/cola-increase-watch/>

⁴² <https://districtmeasured.com/2017/05/03/single-family-housing-values-in-the-district-have-risen-much-more-over-25-years-than-in-the-metro-area-or-the-us/>

c. **Section-by-Section Analysis**

N/A

d. **Legislative Recommendations for Committee of the Whole**

See attachment D.

e. **Fiscal Impact**

The subtitle will cost \$5.68 million in Fiscal Year 2021, \$5.817 in Fiscal Year 2022, and \$5.96 million in Fiscal Year 2023. The subtitle will cost \$17.45 million over the four-year financial plan. The Committee encourages the full Council to identify funding for this subtitle.

TITLE X. SUBTITLE X. TAX ADMINISTRATION CLARIFICATION

a. **Purpose, Effect, and Impact on Existing Law**

In response to questions asked of the OCFO by the Committee regarding their proposed Fiscal Year 2020 Budget, the OCFO has asked for several changes to the District's tax code which are contained in this proposed subtitle. These changes effectively clarify existing law in order to facilitate efficient tax administration. According to the Office of Tax and Revenue, in the course of administering and defending tax laws, some instances in which the law may be subject to differing interpretations due to ambiguities in the language used have been identified. OTR is requesting and suggesting these ambiguities in the law be clarified in the interest of efficient tax administration so that the statutory language better accords with legislative intent and generally accepted principles of tax law.

More specifically, the majority of these changes involve clarifying in the D.C. Official Code that the taxpayer has to request a refund from OTR before pursuing litigation. These corrections span several chapters of Title 47 to include real property, income, personal property, taxes as well as recordation and transfer, and sales and use taxes.

In addition to correcting some typos, confirming section headings correctly reflect the content of the section, making grammatical corrections, and confirming filing deadlines match, changes also include the following: confirms language already in the tax sale chapter is also in the real property tax chapter regarding tax liens and the priority of payment to be applied to a lien, with real property taxes being the first priority for a lien; provides a correction to the tax clarity act to further clarify that one cannot get a rolling credit on a tax paid more than 3 years ago; confirms the Department of Consumer and Regulatory Affairs (DCRA) can go back 3 years to make a correction to be reclassified as occupied if a vacant or blighted real property classification was made incorrectly, and

also allows for a refund to be given if owed for a prescribed time as noted by DCRA; allows for the ability to share information with RPTAC when a homestead or senior property tax relief benefit is under appeal at the 2nd level; restores language that was inadvertently omitted regarding the amount of tax paid on the deed when recorded; confirms possessory interest tax is billed semi-annually; updates the language to confirm if a payment made to halt or prevent tax sale is dishonored (i.e., check bounces) the tax sale can proceed; and codifies the D.C. Official Code to match the DC Municipal Regulations with regards to government employees prohibited from purchasing properties at tax sale, so that there is no conflict of interest.

b. Committee Reasoning

The Committee recommends adopting the proposed subtitle for the foregoing reasons.

c. Section-by-Section Analysis

N/A

d. Legislative Recommendations for Committee of the Whole

See attachment D.

e. Fiscal Impact

The OCFO in their budget responses indicated that this subtitle would have no fiscal impact.

TITLE X. SUBTITLE X. SPORTS WAGERING CLARIFICATION

a. Purpose, Effect, and Impact on Existing Law

The Council passed the Sports Wagering Lottery Clarification Emergency in January 2019⁴³ to reconcile inconsistencies in the Sports Wagering Lottery Amendment Act of 2018. These clarifications were passed on an emergency and temporary basis so that the Lottery could begin establishing a sports wagering regulatory regime for this new industry. As the District tries to capitalize on a first-mover advantage over Maryland and Virginia, passing these measures on an emergency basis was necessary. This subtitle will permanently reconcile these inconsistencies and allow the Lottery to continue building a thriving sports wagering industry in the District.

b. Committee Reasoning

⁴³ D.C. Act 23-2, Sports Wagering Lottery Clarification Emergency Amendment Act of 2019.

The Committee recommends adopting the proposed subtitle for the foregoing reasons.

c. Section-by-Section Analysis

N/A

d. Legislative Recommendations for Committee of the Whole

See attachment D.

e. Fiscal Impact

There are no costs associated with the implementation of this legislative clarification.

TITLE X. SUBTITLE X. SPECIAL FUNDS CLARIFICATION.

a. Purpose, Effect, and Impact on Existing Law

In response to questions asked of the OCFO by the Committee regarding special funds established in prior fiscal years, the OCFO responded they do not believe following funds that are a part of Subchapter XI. Special Funds, of Chapter 3 of Title I of the D.C. Official Code are needed: Productivity Bank Fund, Fee Collection Incentive Fund, WMATA Operations Support Fund, WMATA Momentum Fund. With regards to the two WMATA Funds, the OCFO acknowledged there are currently no funds in either of these accounts, and there should not be a problem in eliminating these two funds. Accordingly, the committee is recommending the repeal of these funds.

b. Committee Reasoning

The Committee recommends adopting the proposed subtitle for the foregoing reasons.

c. Section-by-Section Analysis

N/A

d. Legislative Recommendations for Committee of the Whole

See attachment D.

V. COMMITTEE ACTION AND VOTE

The Committee met on May 1, 2019 at 1:10 p.m. in the Council Chambers to consider and vote on the Mayor's Fiscal Year 2020 budget request for the agencies under its jurisdiction, appropriation language recommendations, the provisions of the Fiscal Year 2020 Budget Support Act of 2019 referred to the Committee for comment, the Committee's recommendations to include in the Fiscal Year 2020 Budget Support Act of 2019, and the draft Committee report. Chairperson Evans determined the presence of a quorum consisting of himself and Councilmembers Vincent Gray, Kenyan McDuffie, Elissa Silverman, and Anita Bonds.

Chairperson Evans made opening remarks summarizing the Committee's proposed actions. He explained the contents of the Committee's budget report and thanked all of the staff, advocates, and Councilmembers who worked hard on the Committee's final recommendations.

Chairperson Evans then moved the committee report and recommendations on the Fiscal Year 2020 budget requests of the agencies under the Committee's purview and appropriation language recommendations, as well as the Committee's recommendations for the Fiscal Year 2020 Budget Support Act of 2019.

Councilmember Bonds thanked the staff for the Council Budget Office as well as the staff of the Committee. She thanked the Chairperson for including the Senior Residents Real Property Tax Cap Conformity for units in Cooperative Housing Associations. Councilmember Bonds expressed strong support for seniors and highlighted the potential reduction in eligibility for Schedule H for seniors, but agreed with the Committee's work to exclude dependent income from Schedule H eligibility consideration. Councilmember Bonds noted the Committee's recommendations with respect to subtitles raising taxes to fund affordable housing, but expressed hope that she could address those concerns in her markup later in the day. The Councilmember expressed support for continued funding for the arts, Birth-to-Three for All DC Amendment Act of 2018, and the Neighborhood Safety and Engagement Fund.

Councilmember Silverman congratulated the Chairperson and the staff of the Committee for their work on the budget. Councilmember Silverman further highlighted her support of the work done to enhance Schedule H, given that almost \$33 million was returned to the District's neediest residents last year, and to set a common-sense income cap on the Keep Child Care Affordable Tax Credit and direct the savings to help fund Birth-to-Three.

Councilmember McDuffie highlighted his disappointment in the administration's elimination of the dedications of sports wagering revenue to Birth-to-Three and the Neighborhood Safety and Engagement Fund and thanked the Chairperson for returning the revenue to these important programs. Further, he expressed his support for the Committee's recommendation to strike the Emergency and Non-Emergency Telephone

Calling Systems Funding and noted that his Committee had already made an identical recommendation.

Councilmember Gray thanked the Committee and congratulated the staff on finalizing the budget report. Then Councilmember Gray moved two amendments to the Committee report⁴⁴. The first amendment offered was the Age-In-Place Tax Cap Transfer subtitle, which would allow transferability of the tax cap for properties owned at least 50 percent by a person 65 years of age or older. This amendment was offered without identified funding. The second amendment offered was the Additional Sports Wagering Revenue subtitle, which would direct revenue from sports wagering above revenue certified in the approved Fiscal Year 2020 budget to an Early Childhood Development Fund and establish such a fund. As this amendment addressed revenue exceeding that certified in the budget, this amendment did not have a cost. The Chairperson accepted both amendments as friendly amendments.

The members voted as follows:

Fiscal Year 2020 Budget Federal Portion Adoption and Request Act of 2019 Recommendations

Members in favor: Evans, Gray, McDuffie, Silverman, and Bonds

Members opposed:

Members voting present:

Members absent:

The Committee's Fiscal Year 2020 Budget Federal Portion Adoption and Request Act of 2019 recommendations are adopted by a vote of 5 yes, 0 no, 0 present, and 0 absent.

Fiscal Year 2020 Budget Local Portion Adoption Act of 2019 Recommendations

Members in favor: Evans, Gray, McDuffie, Silverman, and Bonds

Members opposed:

Members voting present:

Members absent:

The Committee's Fiscal Year 2020 Budget Local Portion Adoption Act of 2019 recommendations are adopted by a vote of 5 yes, 0 no, 0 present, 0 absent.

Fiscal Year 2020 Budget Support Act of 2019 Recommendations

Members in favor: Evans, Gray, McDuffie, Silverman, and Bonds

Members opposed:

Members voting present:

Members absent:

⁴⁴ See Attachment E.

The Committee's Fiscal Year 2020 Budget Support Act of 2019 recommendations are adopted by a vote of 5 yes, 0 no, 0 present, 0 absent.

Business having concluded, the meeting was adjourned at 1:57 p.m.

VI. ATTACHMENTS

- A. Friday, April 05, 2019 Fiscal Year 2020 Budget Oversight Hearing Witness List and Testimony.
- B. Wednesday, April 10, 2019 Fiscal Year 2020 Budget Oversight Hearing Witness List and Testimony.
- C. Bill 23-209, the "Fiscal Year 2020 Budget Support Act of 2019" Legislative Language Recommendations on Mayor's Proposed Subtitles.
- D. Bill 23-209, the "Fiscal Year 2020 Budget Support Act of 2019" Legislative Language Recommendations for New Subtitles.
- E. Councilmember Gray amendments for the Committee on Finance and Revenue Fiscal Year 2020 budget report offered and accepted at the May 1, 2019 markup.

**Council of the District of Columbia
Committee on Finance and Revenue
AGENDA**

John A. Wilson Building, 1350 Pennsylvania Avenue, N.W. Washington, D.C. 20004

**COUNCILMEMBER JACK EVANS, CHAIR
COMMITTEE ON FINANCE AND REVENUE**

FISCAL YEAR 2020 PROPOSED BUDGET AND FINANCIAL PLAN PUBLIC HEARING ON:

**Real Property Tax Appeals Commission
District of Columbia Lottery and Charitable Games
Office of the Chief Financial Officer
Office of Tax and Revenue
Office of Financial Operations and Systems
Office of Finance and Treasury
Office of Financial Operations
Office of Revenue Analysis**

**Friday, April 5, 2019
10:00 a.m.**

**Room 123- John A. Wilson Building
1350 Pennsylvania Avenue, NW; Washington, D.C. 20004**

- I. Opening Remarks
- II. Witness List

Public Witnesses

- 1. Admiral Julia Plotnick
- 2. David Schwartzman
- 3. Solomon Keene, President & CEO, HAWDC
- 4. Evelyn Wofford, President of the National League of American Pen Women
- 5. Joanna Blotner, Campaign Manager, Jews United for Justice
- 6. Ed Lazere, Executive Director, DC Fiscal Policy Institute
- 7. Michael Sindram
- 8. Geraldine Hobby, DC Injured Workers Committee/ Civil Service Status Fed DC

Government Witnesses

Real Property Tax Appeals Commission

- 1. Gregory Syphax, Chairperson

District of Columbia Lottery and Charitable Games

- 1. Beth Bresnahan, Executive Director

Office of the Chief Financial Officer

- 1. Jeffrey DeWitt, Chief Financial Officer

- III. Announcements
- IV. Adjournment

**Army Distaff Foundation/Knollwood
Knollwood Residents' Association**

6200 Oregon Avenue, NW
Washington, DC 20015
Telephone: 202-541-0400

**Testimony before the Committee on Finance and Revenue
of the D.C. Council on the
Veteran Retirement Income Tax Exclusion
Amendment Act of 2019
April 5, 2019**

Good morning Chairman Evans and members of the Committee, I am Rear Admiral (Retired) Julia Plotnick. I am here today to thank you, Mr. Chairman, for co-sponsoring the Veteran Retirement Income Tax Exclusion Amendment Act of 2019 and to urge you to schedule a Committee Hearing as quickly as possible. As you know, this Bill would amend Title 47-1803.02(a) of the D.C. Code to exempt retirement income for members of the Uniformed Services or the Survivor Benefit Program, paid by the United States or District Governments, from personal income tax for taxable years beginning after December 31, 2019.

I am a resident of the Army Distaff Foundation/Knollwood, a nonprofit continuing care retirement community, located here in the District. Knollwood offers reasonable living expenses to Veterans from all uniformed services and their families and gives financial assistance to those who can no longer afford the burden, as health care and other costs soar.

Knollwood Testimony, Page 2

However, our 300 residents are finding that paying high D.C. taxes is a detriment to retiring and living in the District. The Veteran Retirement Income Tax Exclusion Amendment Act would contribute significantly to reversing this and attracting more Veterans to retire, work and live in the District.

At present thirty three states, which tax their citizens, do not tax military retirement pay or have "special provisions" reducing military retirement pay.

The benefits of this bill are numerous:

- 1) It would recognize D.C. Veterans who have dedicated their lives to defending our country,
- 2) It would join the 41 states who do not tax Veterans, have special provisions on their pay, or have no income tax.
- 3) It would not place an undue strain on the D.C. budget, since only 2,417 Retired Veterans live in the District as of 2017. Other than two states, the District has the lowest number of Veterans per capita in the nation.
- 4) It would attract Veterans to retire and live in the District, rather than Virginia, which has no tax relief law for Veterans in effect and Maryland, which at the present time excludes \$15,000.

This point is particularly significant now that Amazon has announced plans to expand operations in Virginia and probably hire many Veterans.

Knollwood Testimony, Page 3

- 5) The Veterans, who settle in D.C., would pay property taxes.
- 6) Retired Veterans would also pay income taxes on other income, sometimes substantial.
- 7) Since the vast majority of retired veterans no longer have school- aged children, their families would not burden the schools.
- 8) Retired Veterans and spouses would benefit the District further because they typically continue public service as civilians by volunteering and engaging in their communities.

As a co-sponsor of this Bill, Mr. Chairman, I am certain you agree the benefits to both Veterans and the District of Columbia warrant passage as quickly as possible. Support has also come from the Mayor's Advisory Board on Veterans Affairs, which voted unanimously last Tuesday night, "to strongly recommend that the Government of the District of Columbia take the required steps to turn the Veteran Retirement Income Tax Exclusion Amendment Act of 2019 into law."

We urge your Committee to give this bill favorable consideration.

Thank you for the opportunity to speak with you today.



PUBLIC HEARING
BEFORE THE
THE COUNCIL OF THE DISTRICT OF COLUMBIA
RE: COMMITTEE ON FINANCE AND REVENUE BUDGET
OVERSIGHT HEARING ON THE OFFICE OF THE CHIEF
FINANCIAL OFFICER

TESTIMONY
OF:

SOLOMON KEENE
PRESIDENT & CEO
HOTEL ASSOCIATION OF WASHINGTON, DC

Friday, April 5, 2019

1350 Pennsylvania Avenue, NW
Washington, DC 20004

Good Morning, Chairman Evans, and Members and Staff of the Committee on the Committee on Finance and Revenue. I am Solomon Keene, President & CEO, of the Hotel Association of Washington, D.C., a trade association representing the interests of hotels in the District of Columbia with over 90 plus members.

I am here to testify in opposition to Title III, Subtitle C, of the Fiscal Year 2020 Budget Support Act of 2019. This Subtitle, entitled the "Emergency and Non-Emergency Number Telephone Calling Systems Amendment Act of 2019," seeks to amend Section 34-1801 et seq. of the District Code to impose a tax upon all hotels of \$0.80 per room or suite rental, per night. This is on top of all of the taxes and fees that hotels already pay, including the \$0.76 per line tax that hotels are already charged.

It was just 2 years ago that the Mayor first proposed a \$0.50 per room, per night bed tax for the same funding purpose. We stated our opposition then. And as we previously stated, it is not clear why the hotel industry has been repeatedly targeted to impose this additional tax upon. The correlation of the proposed tax and our industry continues to be murky, making us an illogical source for these funds. Travelers to our city spend over \$7.1 billion annually. This revenue translates to jobs for District residents and substantive tax contributions to our city. Charging tourists that come to our city - who are already substantially contributing

to the District's economy - this extra tax does not make sense, considering the District's room rates compared to other jurisdictions.

Hotels, through the occupancy tax alone, support the operating expenses of the District's Convention Center; marketing expenses for Destination DC; and to help fund Metro. The remaining taxes go directly to the District's General Fund to support services for District residents.

This new tax cannot be viewed in isolation and will have a significant impact on booking group business and make the District less competitive against other destinations. The hotel industry is the highest taxed industry in the District by far, with a 14.95% occupancy tax rate. Event planners look at a city's occupancy tax when deciding on which city will host their conference. The District has raised the occupancy tax twice in the last two years. Meeting planners like the predictability of travel costs when booking group travel, often years in advance. We want the District to be the premiere global convention, tourism, and special events destination. We cannot achieve this if the occupancy tax is increased year after year, causing uncertainty in planning and making the cost to stay in the District prohibitive; thereby forcing travelers to begin to look to other destinations for both their leisure and convention travel needs.

Our members are at their wits end trying to operate here in the District in what is increasingly becoming a more difficult environment to conduct business.

The hotel industry already contributes heftily to the District's economy. Additionally, our members proudly invest in education and workforce development initiatives to make sure District residents are employed. We are proud to be partners with the District in many areas. However, we do not feel that we should bear the burden of supporting an agency whose core function is not related to travel and tourism.

For the above reasons, HAWDC opposes this proposed tax and we urge the Council to delete this subtitle from the proposed Budget Support Act. Thank you for the opportunity to testify regarding this important issue to our industry and city and I welcome any questions that you may have.



PEN ARTS BUILDING

THE NATIONAL LEAGUE OF AMERICAN PEN WOMEN 1300 SEVENTEENTH STREET, N.W. * WASHINGTON, D.C. 20036 * TELEPHONE (202) 785-1997

CONDUCTING AND PROMOTING PROFESSIONAL WORK IN ART * LETTERS * MUSIC SINCE 1897

April 5, 2019

The Honorable Jack Evans
Chairman
Committee on Finance & Revenue
Council of the District of Columbia
The John A. Wilson Building
1350 Pennsylvania Avenue, NW, Suite 106
Washington, DC 20004

Dear Chairman Evans, staff and members of the Committee:

Thank you for the opportunity to present testimony to the committee today. You may recall that I am Evelyn Wofford, president of the National League of American Pen Women, Inc., a historic nonprofit organization chartered and incorporated in 1897 in the District of Columbia. We have a rich history supporting the careers of women in the arts, music, and literature dating to a time when women had no access to male only professional associations. Our building hosts a historic museum and humanities collection open to District residents five days per week.

As we recently testified in February before this committee, I will not further recount our history and noteworthy collection this morning. I am here, first of all, to thank you for providing formal notification to the ANC of your intention to introduce our requested tax abatement legislation by April 19. I also want to thank you for the responsiveness of your staff in keeping us informed during this process. I have been continuing to communicate with our ANC representatives and other community allies about our request and your support, and I will plan to attend the ANC meeting on April 10 in case any questions come up.

While I am again grateful for your consideration, I am also here to underscore the urgency of our request in light of how quickly the budget season progresses. Though our tax debt is modest at this point compared to city budgetary standards, it is very substantial to us at nearly \$40,000 of 2018 taxes owed. Our understanding is that we will face a tax sale in just a few months without tax relief from the city. We will request that the tax office exempt us from this process due to our continued work toward a tax abatement, and we respectfully request the assistance of your office in exempting us from this process as tax sale notifications start as soon as this month, with notices received by property owners by May 1. As you can see, there is quite a bit of urgency on our end, and if we are not able to secure a tax abatement, we will have to consider one of the offers we have received to sell our property to a developer and leave the city in order to locate a more affordable headquarters.

We are doing everything we can to make tax relief from the Council as easy as possible. We have approached management at the tax office in the hopes that they will revisit their decision on an administrative abatement, which would reduce the funding cost of our legislative abatement



and make it easier to find appropriations. Items we have highlighted to management include clarification that our museum is open to the public five days a week. We have also tried to highlight that our museum truly does function primarily as a museum. We have membership gatherings of our association at most quarterly, whereas we are open for arts or humanities researchers as well as the community five days per week and on weekends by appointment. The Dupont Circle Citizens Association has referenced our openness as a community space as one of the reasons they support our tax abatement request.

We have also availed ourselves of the opportunity to appeal our assessment amount. Without taking much of your time, there are three key items to note here. First, the tax office estimates our building value at \$2,447,800. While we view our historic building as priceless, in economic terms our insurance policy from Travelers and a quote from Hanover value our building at \$1,763,879, which would suggest a nearly \$700,000 reduction in the tax office's assessment. Secondly, with respect to property condition, we have sent to the tax office with our appeal a detailed capital study performed in 2015 showing approximately \$300,000 in needed capital projects. The current number is closer to \$500,000, so we have requested the tax office lower our assessment by \$500,000 on this basis. Third, the DC Code requires assessments to reflect the actual use of the building. As we have already mentioned, the museum and even our nonprofit association uses require a substantial reduction, as we have referenced precedent from other mixed-use nonprofit building spaces and requested a meaningful reduction in our assessment on this basis.

Finally, our mixed use designation was the real killer in the tax office's recent 50% increase of our tax bill, and we request first an administrative tax abatement based on our museum use, and in the alternative request 90% residential classification status to reflect that if our historic dining, library and drawing room spaces aren't considered part of a museum by the tax office, they also certainly are not put to commercial use otherwise. We are hopeful that through your oversight role of the tax office that you would be able to communicate with them about our assessment value in support of our request for a substantial reduction, as the DC Code allows for such changes even outside of the formal appeal process when it is in the interests of justice. We have requested that the adjustment take effect retroactively for three years or in the tax office's maximum discretion, as our uses and condition have not changed over that period.

Thank you again for your efforts and for hearing from us again. Our continuing hope is that you are able to include a legislative real property tax abatement in the Council's budget bill this year. We understand that certain committee jurisdiction elements are shifting, and we are also in communication with Councilmember McDuffie's and Chairman Mendelson's offices, but we understand that your colleagues will continue to look to you as the Ward 2 member in seeking to determine if we merit a tax abatement. You are the only councilmember who has visited our physical space. I hope that our worthy mission and history, diligence in working with the tax office and the community, and the small dollar amount of our request will make it possible for you to help us. I am happy to answer any questions you have and provide any additional background information now or after the hearing.

**Testimony of Joanna Blotner
Campaign Manager, Jews United for Justice**

**Finance & Revenue Budget Committee Hearing:
*Real Property Tax Appeals Commission
District of Columbia Lottery and Charitable Games
Office of the Chief Financial Officer***

Friday, April 5, 2019

Good morning Councilmember Evans and members and staff of the Finance and Revenue Committee. My name is Joanna Blotner and I am testifying today on behalf of Jews United for Justice whose membership includes thousands of Jews and allies who are committed to working for social, racial, and economic justice in DC. JUFJ is currently co-leading a campaign to transform how DC invests in infants, toddlers, and families from formative prenatal experiences through age three. We were also part of the coalition that worked to pass the Neighborhood Engagement Achieves Results (NEAR) Act a few years back. Last year, this committee made promises of funding these two vital District initiatives through revenue generated from the Sports Wagering Lottery Amendment Act of 2018. However, that promise is not reflected in the proposed FY20 budget; it should be.

We know revenue generated from gambling and lotteries comes with baggage. Broadly speaking, JUFJ - and the Jewish faith in general - opposes the promulgation of gambling, as it is often a predatory practice offering false hope to those with the least means. The legislation passed last year is further complicated by the Council's misrepresentation of the promised revenue. All that aside, this committee's characterization of the legislation created a clear public narrative: half of the projected \$26 million raised from sports betting would go toward the Birth to Three For All DC Act and the other half would go to the NEAR Act.

To honor the Council's intentions, the technicalities involved in programming new revenue from sports betting should have been fixed by the Mayor. Disappointingly, they were not. It is now up to the Council, and this committee in particular, to remedy the situation and dedicate at least \$13 million in new District revenue to Birth to Three and \$13 million to the NEAR Act (specifically, the child care subsidy and violence interruption programs of the bills). Funding for each of these programs would help to reduce unacceptable racial inequalities and injustices in the District.

JUF] further urges the committee to use its discretion over the District's tax code to identify the additional funds needed to fully implement the first year of the Birth to Three for All DC Act. Repealing ineffective tax incentive programs¹ and ensuring the District's corporate partners and wealthiest residents are paying their fair share are good places to start. Additionally, we encourage the committee to consider repurposing the Mayor's childcare tax credits. Tax credits will not drive enhancements in the quality or supply of the District's childcare options and, at a rate of a \$1,000 refund, they do not make meaningful enough investments in universal affordability either.² That \$3 million could better benefit DC families via Birth to Three funding.

Fully investing in Birth to Three For All DC is a cost-effective strategy for the District, even when we have tight budgets.³ All kids and families deserve their best start in life so let's work together to meet the funding needs of this important legislation. Thank you for allowing me to testify and I would be happy to answer any questions.

¹ <https://www.dcof.org/al/revenue-revealed-its-time-to-amend-dcs-tax-expenditure-programs> and <https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/2017%20Economic%20Development%20Tax%20Expenditures%2011418.pdf>

² The average cost of childcare in DC is around \$24,000/year. \$1,000 does not make a meaningful dent in a family's care expenses, and tax credits like this disproportionately benefit middle and higher income families who can afford the upfront cost of enrolling a child in qualifying educational care settings. The Birth to Three For All DC Act better solves affordability by reforming our childcare system so that families will no longer spend more than 10% of their income on childcare.

³ Learn more about the returns on investments of early childhood education and health interventions for at-risk children at: <https://brookings.edu/wp-content/uploads/2017/06/early-childhood-development-reduces-deficits-strengthen-the-economy>

**Testimony of Ed Lazere, Executive Director
At the Budget Oversight Hearing on the DC Lottery
DC Council Committee on Finance and Revenue
April 5, 2019**

Chairman Evans and members of the committee, thank you for the opportunity to testify today. My name is Ed Lazere, and I am the Executive Director of the DC Fiscal Policy Institute. DCFPI is a non-profit organization that promotes budget choices to reduce economic and racial inequities in the in the District of Columbia and to build shared prosperity, through independent research and policy recommendations.

I'm here today to express DCFPI's opposition to the failure of the FY 2020 proposed budget to devote any of DC's new sports betting revenue to early childhood programs under the Birth-to-Three for All DC Act or to the NEAR Act, as required under the legislation that authorized sports betting.

DCFPI is a member of the Birth to Three Policy Alliance, a network of institutions committed to transforming how DC invests in infants, toddlers, and families from pregnancy through age three. The Birth to Three Policy Alliance knows it is essential for DC to ensure affordable access to high-quality health, education, and developmental support through the first 1,000 days of a child's life.

The Sports Wagering Lottery Amendment Act adopted last year included provisions to dedicate a portion of the new tax revenue to address gambling addiction and then to split the remainder between the Birth-to-Three for All DC Act and the Neighborhood Safety and Engagement Fund under the NEAR Act. Ensuring that the new funds would go to useful purposes was a key element of generating support for bringing sports betting to DC for the first time.

Disappointingly, the proposed FY 2020 budget rejects that commitment and devotes none of the sports betting revenue to these purposes. Instead it puts all sports betting revenue in the District's General Fund. DCFPI urges this committee and the full DC Council to restore the funds promised to Birth-to-Three and the NEAR Act.

That would mean setting aside at least \$1.5 million for these two purposes, and up to \$26 million. The public debate around the Sports Wagering Lottery Amendment Act often gave the impression that *all* of the new revenue from sports betting would go to Birth-to-Three and the NEAR Act, beyond a small amount set aside to treat gambling addiction. This would equal \$13 million for each purpose in FY 2020. In reality, the legislation dedicates only a small portion of the new revenue — the portion coming from a tax levied on private operators. This would provide \$1.5 million for the two purposes in FY 2020.

We urge the Council to devote fully half of the new sports betting revenue—\$13 million—to Birth-to-Three provisions, or at a minimum the \$750,000 dedicated tax that the new law clearly intended for the Birth-to-Three Act. This is important because the proposed budget provides only a small

share of the funding needed to begin implementing the Birth to Three Act —\$5 million of the needed \$30 million in FY 2020. The funding is needed for the following:

- **\$22 million to increase the quality of child care for infants and toddlers in low-income families.** Research shows that children in low-income families “often receive early care of such poor quality that it diminishes their potential” but that investments to improve the quality of care they receive has “positive effects that can endure into the early adult years.”¹ The proposed DC budget includes \$5 million to improve DC’s child care subsidy program for children in low-income families, but this is less than one-fourth of the \$22 million increase needed in FY 2020.
- **\$6 million for Home Visiting:** Home visiting programs support families of young children as they transition from pregnancy to parenting. Evidence-based home visiting supports healthy child development and improves school readiness. The proposed budget has no new resources for home visiting.
- **\$2 million for Health:** The Birth-to-Three Act calls for expanding Healthy Futures, which provides on-site mental health consultation to early childhood educators to reduce challenging behaviors and promote positive social emotional development. It also calls for expanding HealthySteps, which uses pediatric visits to address concerns that physicians often lack time to address. This includes feeding, behavior, sleep, attachment, and parental depression.

\$13 million would cover nearly all of the additional funding needed to support child care quality improvements. \$750,000 would allow Healthy Steps to expand to an additional clinic or provide half of what’s needed to expand Healthy Futures.

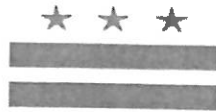
DCEPI encourages the Council to keep its commitment to using sports betting revenue to support Birth-to-Three and the NEAR Act.

Thank you for the chance to testify.

¹ See “Zero to Three,”

2017.

**TESTIMONY OF
GREGORY SYPHAX
CHAIRPERSON
REAL PROPERTY TAX APPEALS COMMISSION**



**ON THE
PROPOSED FY 2020 BUDGET
FOR THE
REAL PROPERTY TAX APPEALS COMMISSION**

**BEFORE THE
COMMITTEE ON FINANCE AND REVENUE
COUNCIL OF THE DISTRICT OF COLUMBIA
THE HONORABLE JACK EVANS, CHAIRPERSON**

**FRIDAY, APRIL 5, 2019
JOHN A. WILSON BUILDING
WASHINGTON, D.C.**

Good Morning Chairman Evans, members of the Committee, and staff. I am Gregory Syphax, Chairman of the Real Property Tax Appeals Commission ("RPTAC"), and I am here today to present the proposed Fiscal Year (FY) 2020 operating budget for the Commission. Here with me is Vice Chairman, Richard Amato and Casandra Fields, the agency Financial Manager from the Office of the Chief Financial Officer.

Mayor Muriel Bowser has adequately funded the Real Property Tax Appeals Commission with the FY 2020 proposed gross budget is \$1,784,120, which represents an overall 1.2 percent increase over its FY 2019 approved gross budget of \$1,763,225. RPTAC's proposed Local funds budget reflects a net personal services increase of \$28,352 across multiple programs to support salary steps and Fringe Benefit adjustments. RPTAC's Local funds budget proposal includes a reduction of \$7,458 in the Real Property Appeals Process program to partially offset projected increases in personal services. This adjustment reflects anticipated savings in Part-Time Commissioners' stipends. The budget is comprised entirely of Local funds.

The FY 2020 proposed operating budget for the RPTAC should allow it to meet its required statutory mandates. These mandates include the staffing of the Commission with a Chairman, Vice Chairman, and four other full-time Commissioners at an anticipated cost of \$798,708 for salaries and fringe benefits. In addition, the proposed budget will also fund the stipends for eight part-time Commissioners at an anticipated cost of \$278,000.

The Office of Tax & Revenue (“OTR”) has indicated that they will begin hearing first-level appeals starting April 16th, and we will likely begin to receive our second level appeals in August. Although it’s too early to say for sure, it appears that based on the number of cases filed with OTR as of April 2nd, OTR may see a drop in the total number of appeals filed for TY 2020. If this holds true, RPTAC will likely receive a reduction in appeals filed as well. Last year, the Commission received approximately 4,577 cases in TY 2019.

As you are aware, the Commission is hoping that we can fill one vacant Part-time position before the TY 2020 season begins. We are also awaiting the reappointments of three Commissioners as well.

I appreciate this opportunity to testify before the Committee, and I would be happy to answer any questions you may have.

**BUDGET OVERSIGHT HEARING ON
FISCAL YEAR 2020 PROPOSED BUDGET
AND FINANCIAL PLAN
FISCAL YEAR 2020 BUDGET SUPPORT ACT OF 2019**

**Before the
Committee on Finance and Revenue
Council of the District of Columbia**

THE HONORABLE JACK EVANS, CHAIRMAN

**APRIL 5, 2019 AT 10:00 A.M.
JOHN A. WILSON BUILDING - ROOM 123**



**Testimony of
Beth Bresnahan, Executive Director
Office of Lottery and Gaming**

**Jeffrey S. DeWitt, Chief Financial Officer
Government of the District of Columbia**

Good Morning, Chairman Evans and members of the Finance and Revenue Committee. I am Beth Bresnahan, the Executive Director of the Office of Lottery and Gaming ("Lottery"). Thank you for this opportunity to present testimony on the Lottery's budget and fiscal planning for Fiscal Year 2020. With me today are Agency Fiscal Officer Craig Lindsey, and Chief Counsel Ridgely Bennett.

Since launching our first game in 1982, the Lottery has generated more than \$7.1 billion in ticket sales and transferred more than \$2.1 billion in net profit to the District's General Fund. During this 37-year span, Lottery players in the District have been awarded \$3.7 billion in prizes and our licensed retailers have earned approximately \$420 million in commissions from the sale of lottery games in their store locations. We have also assisted local nonprofit organizations in raising approximately \$132 million in support of their important causes by licensing Charitable Gaming events and activities. Later this fiscal year, the Lottery will officially assume its new regulatory role, as we adopt regulations and begin licensing private sports wagering operations in the District; and in Fiscal Year 2020, we plan to launch sports wagering via a Lottery-operated District-wide mobile application and through a network of licensed Lottery retailers.

As of February 2019, Lottery fiscal year sales to-date total \$88.7 million, an increase of \$3.8 million, or 4.5 percent, over the same period last year. The Lottery originally budgeted \$46.1 million for transfer to the General Fund for Fiscal Year 2019. Through the end of February, \$22.5 million, or 48.8 percent of this target, has been transferred. This amount is \$300,000 lower than last year's transfer to-date due to a slight increase in Lottery administrative expenses, more specifically in prize payout percentage. However, the Lottery remains on track to meet its Fiscal Year 2019 target transfer. It is important to note that costs related to implementing sports wagering in the District, which were not contemplated at the time the Fiscal Year 2019 budget was

formulated, could slightly impact the transfer amount. Those costs include the development of regulatory framework, policies and procedures, as well as the supporting infrastructure needed to license and launch this new category of gaming. A portion of the Fiscal Year 2019 unanticipated costs related to supporting the Lottery's new sports wagering regulatory responsibilities, which are estimated at \$2.79 million, will be offset by revenue collected from licensing fees. The remainder of costs will be funded through the Lottery's current operating budget. We remain on track to put forth draft sports wagering regulations for public comment in June 2019 and adopt regulations, as well as begin the licensing process supporting private sports wagering operations in July 2019. We anticipate that locations can be licensed in time for the start of the NFL regular season in early September 2019. We will be closely monitoring and working to control sports wagering-related and all administrative expenses over the next six months to minimize impact to the Lottery's bottom line while striving to maximize the effectiveness of our products, programs and initiatives.

As I shared at the Performance Oversight hearing in February, this year's sales increase thus far can largely be attributed to gains in the multi-state games *Mega Millions* and *Powerball* thanks to several robust jackpots that spurred purchases from core lottery players and non-traditional players alike, as well as growth in the Instant "Scratcher" Ticket portfolio resulting from a strong product mix and engaging marketing/promotional support. While we cannot predict how often jackpots will roll over or how large they will grow before the top prize is won, we do prepare to capitalize around the excitement of "high-jackpot mode" by using the opportunity to introduce customers to our other games through cross-product marketing and in-store promotions. We are very pleased with the performance of the Instant "scratcher" games released earlier this year which continue to sell well and with the market's reception to our more recent ticket launches that include the \$2 "202" scratcher, the \$5 "DC Flag" scratcher and the \$5 "Washington

Nationals" scratcher. We have an exciting schedule of new tickets that will be released monthly throughout the second half of Fiscal Year 2019. Our team will soon be convening to collectively strategize and develop a product plan for Fiscal Year 2020 that aims to continue growth momentum in the Instant category, as well as boost sales across our draw game portfolio.

Looking ahead, Fiscal Year 2020 will be a year of transformation for the Lottery. We will not only be working toward continued growth in our traditional game portfolio through the development of entertaining products and engaging player promotions, but also working to introduce a brand-new game category with sports wagering, and to modernize Lottery operations with the roll out of new equipment and advanced technology that support new sales channels, digitized platforms and fresh game offerings. These operational initiatives will serve to enhance the Lottery's brand and product innovation, transform how we conduct business and increase our overall revenue generation potential in Fiscal Year 2020 and beyond.

The Lottery originally budgeted a transfer goal for Fiscal Year 2020 of \$46.6 million. This projection and the Lottery's operating budget for the upcoming fiscal year was formulated prior to the U.S. Supreme Court's decision to overturn the federal ban on sports wagering and prior to its legalization in the District. As such, any costs of implementation and projected revenue generation from this new category of gaming were not included during the budget formulation process. The Lottery will seek adjustments to its Fiscal Year 2020 budget to reflect an increase in revenue collection generated from sports wagering in the District.

We are in the early stage of contract negotiations with our incumbent technology vendor for the systems and services that will enable the Lottery to offer sports wagering through a network of licensed retailers and a District-wide mobile application, as well as modernize traditional lottery operations. When contract negotiations are complete, the final contract will be

submitted to the Council for review. Should the Council approve the final contract, we estimate system development, testing and implementation will take approximately six months. This timeline brings the estimated launch date of the Lottery's mobile sports wagering and retail network to January 2020.

The Lottery worked closely with the Office of Revenue Analysis to calculate net revenue projections that factor in this anticipated January 2020 launch date and the costs associated with implementation of Lottery-operated sports wagering, as well as the ongoing regulation of private sports wagering operators. Based on these calculations, the Lottery's revised transfer projection for Fiscal Year 2020 is \$61.9 million. This amount is reflected in the OCFO's revenue estimates for Fiscal Years 2019 – 2023 issued on February 28, 2019.

Our team at the Lottery is excited to begin implementing a strategy that modernizes and grows our product line and platforms while continuing to work each day to maximize the revenue returned to support the District's vital programs and services.

Thank you for this opportunity to testify. I am happy to answer any questions the Committee may have.

**PUBLIC HEARING
ON
THE FISCAL YEAR 2020 BUDGET
OF THE OFFICE OF
THE CHIEF FINANCIAL OFFICER**

**Before the
Committee on Finance & Revenue
Council of the District of Columbia**

The Honorable Jack Evans, Chairman

**April 5, 2019, 10:00 a.m.
John A. Wilson Building
Room 123**



**Testimony of
Jeffrey S. DeWitt
Chief Financial Officer
Government of the District of Columbia**

Good morning, Chairman Evans and members of the committee on Finance and Revenue. I am Jeffrey DeWitt, Chief Financial Officer of the District of Columbia. I am pleased to appear before you today to discuss the FY 2020 budget request for the Office of the Chief Financial Officer (OCFO).

I am joined by my colleagues who will assist in answering specific questions that the Committee may have. With me is Angell Jacobs, Deputy CFO and Chief of Staff. Also with me today are Bruno Fernandes, Deputy CFO for the Office of Finance and Treasury; Keith Richardson, Deputy CFO for the Office of Tax and Revenue; Fitzroy Lee, Deputy CFO for the Office of Revenue Analysis; and Bill Slack, Deputy CFO for the Office of Financial Operations and Systems. Gordon McDonald, Deputy CFO for the Office of Budget and Planning, appeared before the Committee of the Whole on March 25th, but is here today to answer questions. In addition, Beth Bresnahan, Executive Director of the Office of Lottery and Gaming testified earlier today.

The OCFO's FY 2020 budget request supports the agency's strategic plan. I will now discuss the budget in greater detail.



Office of the Chief Financial Officer

Fiscal Year 2020 Budget

Jeffrey S. DeWitt
Chief Financial Officer
April 5, 2019



OCFO Core Functions

District of Columbia

The Independent Office of the Chief Financial Officer:

- Certifies budgets are balanced and financial statements are fairly represented
- Provides independent revenue estimates
- Monitors revenues and spending
- Evaluates fiscal impacts of all legislation
- Reviews all economic development projects
- Issues all debt, manages all investments, and oversees credit ratings
- Oversees tax collections and lottery
- Manages financial personnel (budget, accounting, and payroll functions) in all agencies



OCFO Annual Agency Outputs



District of Columbia

▪ Tax Returns Processed	999,014
▪ Tax Refunds Processed	303,461
▪ Taxpayer Calls Answered	234,899
▪ Written Correspondence Answered	60,995
▪ Deeds Recorded	18,191
▪ Properties Assessed (Commercial and Residential)	212,882
▪ Property Assessment Appeals-1st Level	11,234
▪ Delinquent Payments Collected	\$204,797,784



OCFO Annual Agency Outputs (Cont.)

District of Columbia

▪ Wires and ACH Processed	2,974,635
▪ Gross CCU Debt Collected (FY 2018)	\$35,539,921
▪ Total Debt Managed (FY 2018)	\$10,820,134,000
▪ Fiduciary Programs Managed (FY 2018)	\$4,008,618,852
○ OPEB Fund= \$1,462,029,859	
○ 401(a)= \$1,026,437,473*	
○ 457(b)= \$853,333,867*	
○ 529 College Savings=\$619,702,905	
○ UDC Endowment= \$45,361,176	
○ DC Library Trust=\$1,753,572	
▪ Payroll Payments Issued (Regular Employees Only)	978,786***
▪ Bank Reconciliations	5,100 (425 per month)
▪ W-2s Issued	43,316**
▪ 1099s Issued (1099 MISCs and 1099Rs** only)	8,064
▪ Approximately 200 fiscal impact studies issued per year in addition to numerous other studies, reports, and analyses	

* Unaudited

**Reference - TAX915

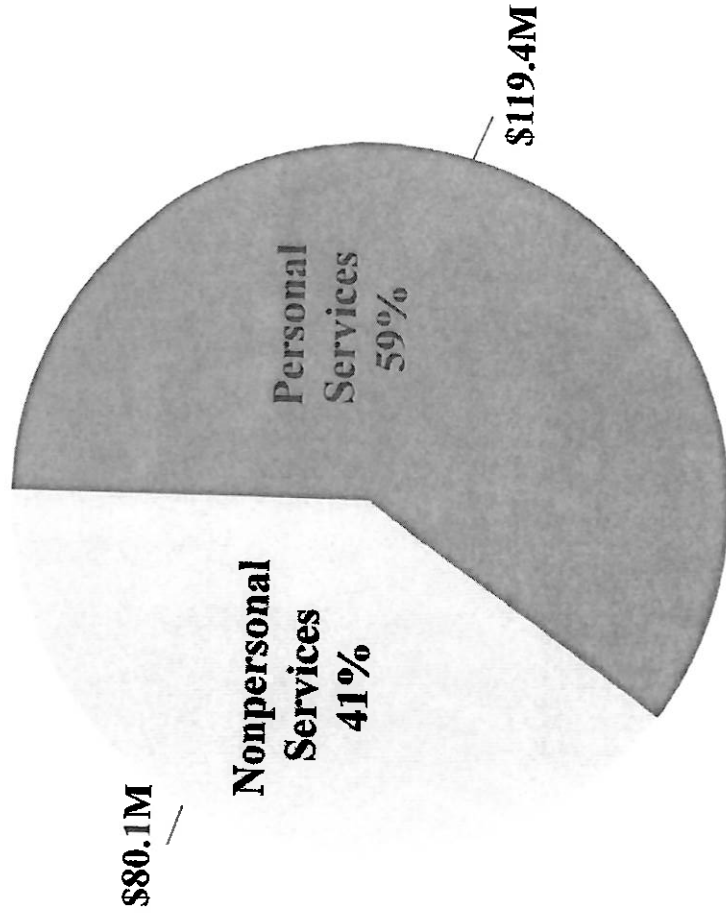
*** This number represents the total of checks/ACHs an employee has received from the District for the calendar year. The number is extracted from the support for the Form 941 which is populated using the U.S. Summary Report generated by PeopleSoft after each payroll processing has completed. Does not include 332 checks generated during the year-end off-cycle payroll runs



FY 2020 Proposed Operating Budget

Gross Fund, PS vs NPS

District of Columbia



Total = \$199.5 Million



Highlights of FY 2020 Budget Request



District of Columbia

The OCFO request represents the minimum resources needed to successfully accomplish our mission and attain our stated goals.

- The OCFO FY 2020 Gross Fund budget is \$199.5M, comprised of the following major categories:
 - Local Funds of \$144.5M
 - Federal Grant Funds of \$450K (EBT Management)
 - Intra-District Funds of \$10.9M (Health Benefits Fees - Payroll Support, Single Audit, Cashier Services, and new OPEB Trust Administration)
 - Special Purpose Revenue (O-Type) Funds of \$43.8M (to administer Central Collections Fund, Tax Collection Fees, Bank Fees, and Unclaimed Property)



Highlights of FY 2020 Budget Request (Cont.)

District of Columbia

■ Realignments/Technical Adjustments:

○ Local Funds:

— Adjustments totaling \$10.6M to the Current Services Funding Level (CSFL), comprised of \$8.7M for the annual operating cost of capital projects including MITS and CARSS as well as \$2.2M for PS Union approved increases and NPS net decrease of \$277K (inflation increase offset by reduction of FY 19 one-time funding).

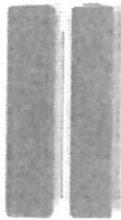
○ Special Purpose Revenue:

— Net Decrease of 3 FTEs and \$1.7M -- Primarily related to OPEB

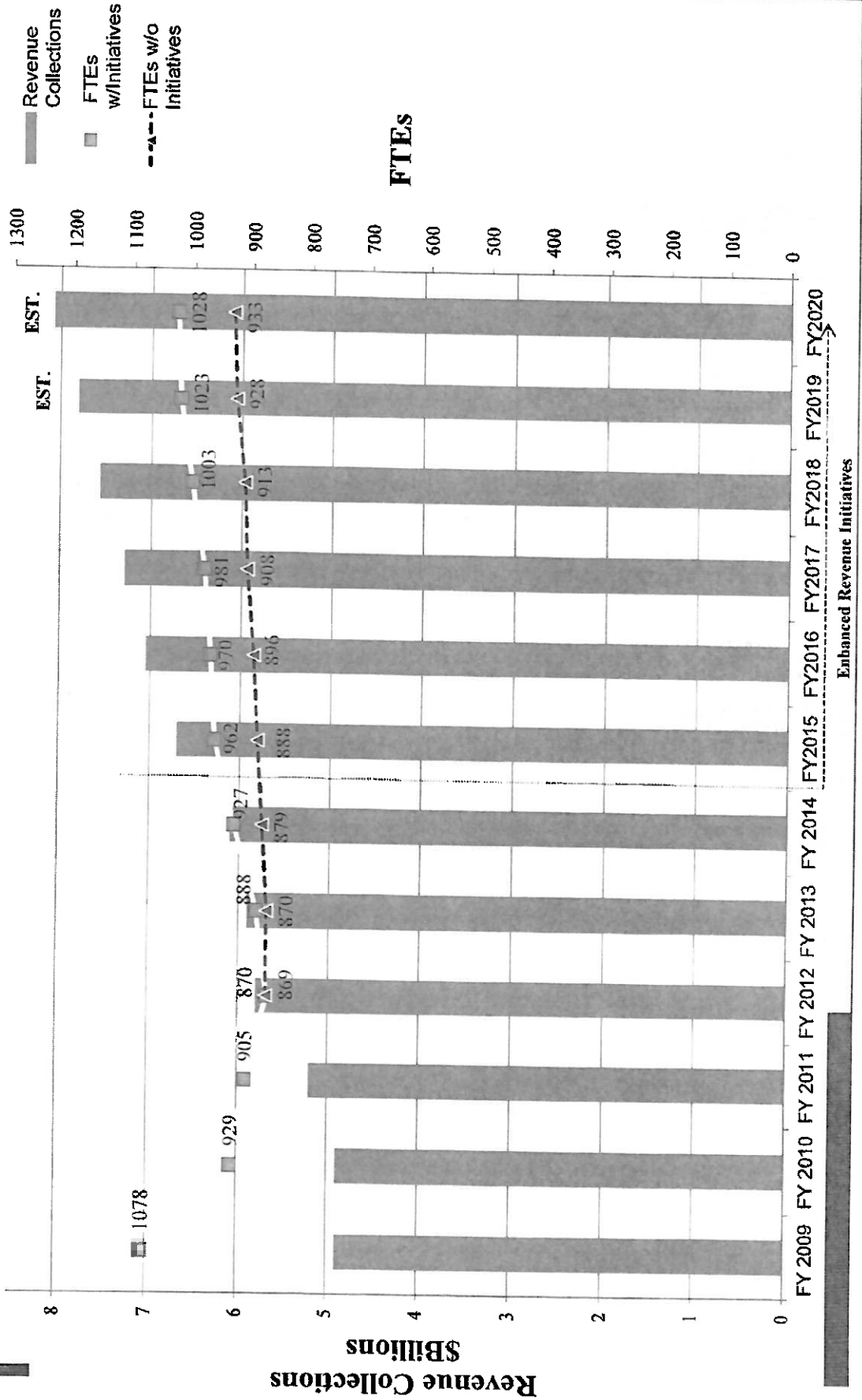
○ Intra-District:

— Net Increase of 8 FTEs and \$2.2M – Primarily related to OPEB

OCFO Full-Time Equivalent Employees (FTEs) - Tax Revenue Collections FY 2009-FY 2020

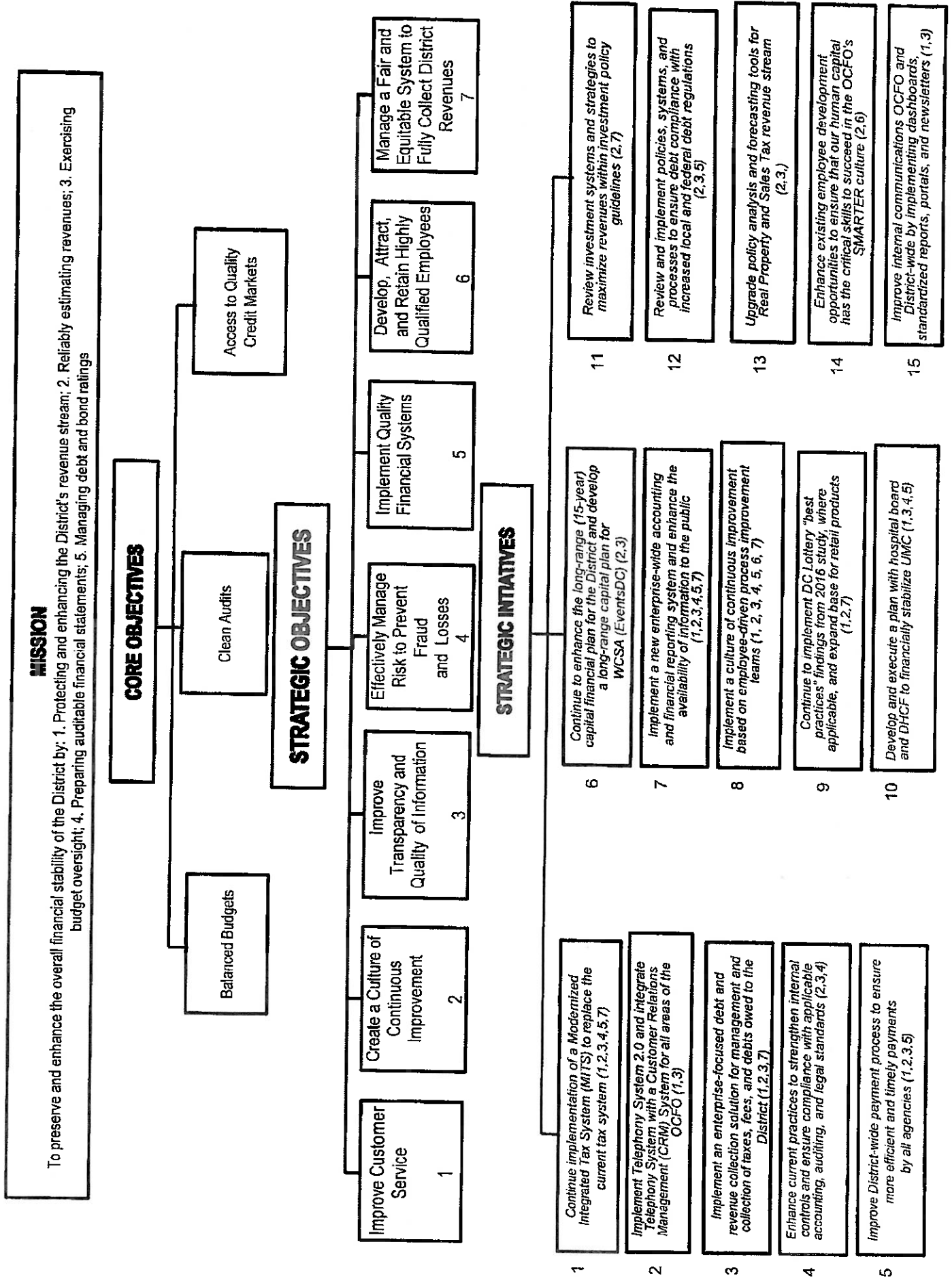


District of Columbia

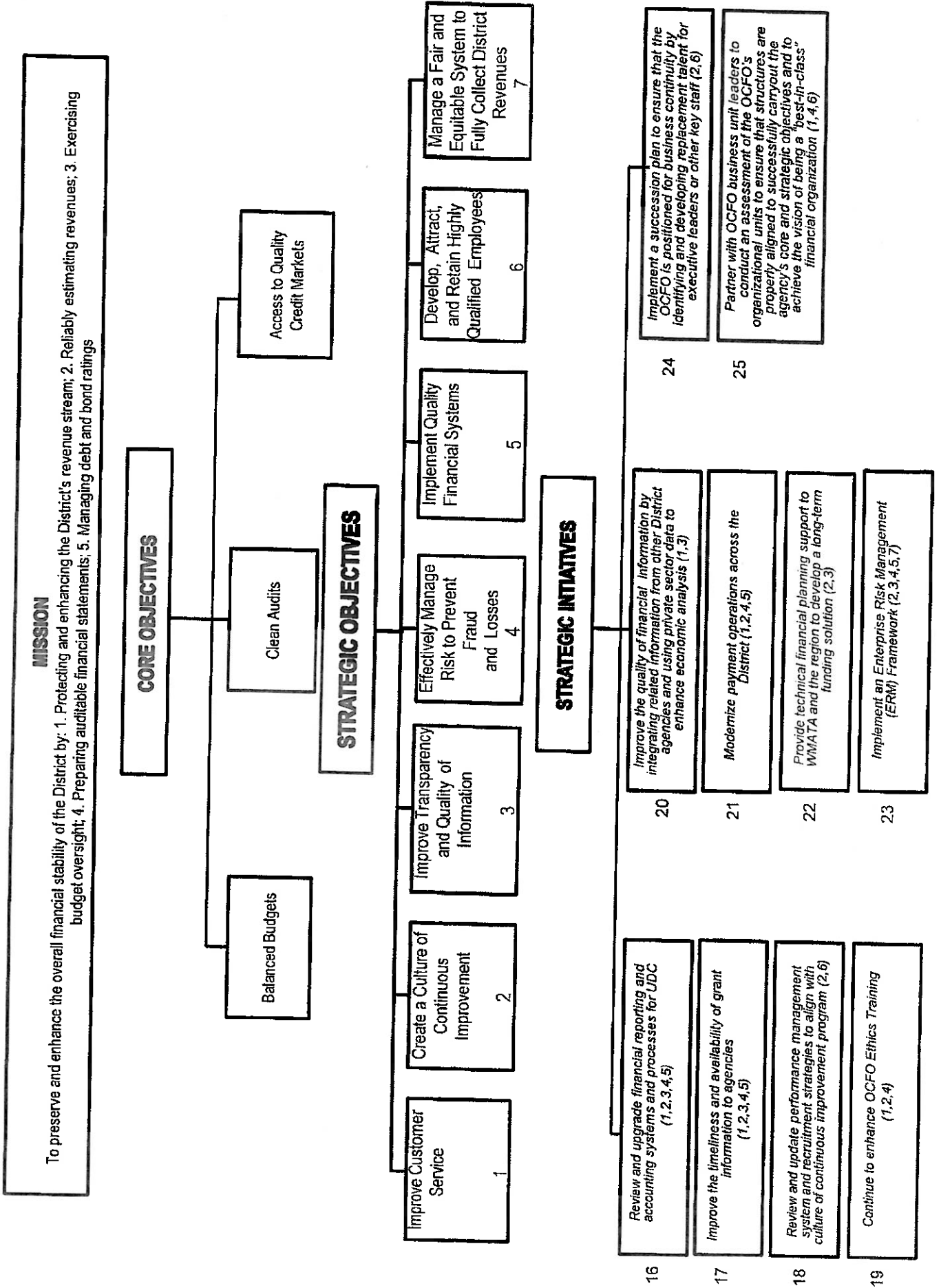


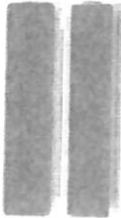
Office of the Chief Financial Officer Strategic Plan

Chart 1 of 2



Office of the Chief Financial Officer Strategic Plan





District of Columbia

Strategic Plan Highlights/Agency Accomplishments

- **Modernized Integrated Tax System (MITS)**
 - Phase IV implemented October 2018
 - Remaining taxes and fees such as:
 - Personal Property Taxes
 - Motor Fuel Taxes
 - Excise Taxes
 - Ball Park fees
 - Health Care Fees
 - Phases I through III completed in prior years included income, business, and sales tax modules

This complex technology project that required 4 years to implement was on-time and below budget providing the opportunity to also replace the Real Property Tax System, which is scheduled to begin in the Spring of 2019



Ongoing and New Initiatives in 2019

District of Columbia

- **Major Change Management effort within OTR (ongoing)**
 - Review of business processes to maximize new technology and tools
 - Development of Best-in-Class Key Performance Indicators to drive continuous improvement
 - Review and update of policies and procedures
 - Development of staff training programs for compliance division
 - Ongoing risk management assessments and testing
- **Development of Center of Excellence**
 - Ensure that the system remains best-in-class
 - Ensure appropriate investment in staff training and learning
 - To be integrated with new Financial System implementation



District of Columbia

Strategic Plan Highlights/Agency Accomplishments (Cont.)

- **SOAR (Financial System) Modernization and Replacement**
 - Project to modernize/replace current budget and financial system and to implement a treasury management and grants management system
 - ✓ RFP for consulting services in progress (Implementer, IV&V, Change Management)
 - ✓ Project team being identified
 - ✓ Will roll-out in phases (I. Treasury; II. Budget; III. Financial cluster; IV. Grants)
 - ✓ Budget at \$205 million over 5 years

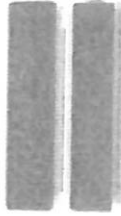


District of Columbia

Benefits of a Financial System Replacement (SOAR Replacement Project)

1. Improved data reliability
2. Improved controls for compliance
3. Better informed decision making
4. Less duplication of effort
5. Improved customer service/satisfaction
6. Improved productivity/efficiency
7. Reduced IT Maintenance costs
8. Reduced operating and labor costs
9. Increased integration with other systems
10. Elimination of over 300 shadow databases and spreadsheets throughout the organization

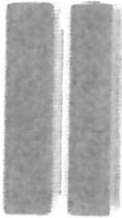
The District has an aging legacy system with declining support resources (mainframe technicians and COBOL programmers) that is at risk of inadequate support services and cannot be upgraded to take advantage of the benefits of a modern system.



District of Columbia

Strategic Plan Highlights/Agency Accomplishments (Cont.)

- **Enterprise Risk Management (ERM) Initiative**
Ongoing Focus to complete risk assessment began in FY 2017/18
 - Proactively identifies and addresses organizational risks through:
 1. Organizational risk assessment
 2. Action plans developed and resources devoted to address identified risks
 3. Ongoing monitoring and emerging risk identification
 - Benefits
 1. Risks are prioritized and specific mitigation strategies are developed to address issues before they occur
 2. More efficient and effective use of resources



District of Columbia



Questions?



Judy Berman, Deputy Director, DC Appleseed
Testimony on the FY2020 Proposed Budget before the DC Council Committee on Finance and Revenue
Jack Evans, Chair
April 5, 2019

My name is Judy Berman and I am Deputy Director of DC Appleseed. DC Appleseed is a non-profit public policy research and advocacy organization dedicated to making the National Capital Area a better place to live and work for all. DC Appleseed has partnered with District government to address a range of issues, including those related to expanding Democracy for DC residents, cleaning up the Anacostia River, ending the HIV/AIDS epidemic, and increasing affordable housing. We are also part of the Birth to Three Policy Alliance and were involved in helping craft the strategies included in the *Birth to Three for All Act*, which the Council passed unanimously last summer.

I'm offering testimony today because I want to emphasize that there is no more valuable investment the District can make in its local economy than in the health and education of its youngest residents. Supporting babies during their first 1000 days of life not only meets a critical need in and of itself, but longitudinal research confirms that it can help to solve other DC problems like low-literacy, poverty, and poor health outcomes. I'd like to encourage this Committee to do its part in ensuring that sufficient resources are allocated toward comprehensive infant-toddler services, and especially the *Birth to Three for All Act*.

The Birth to Three Policy Alliance sent a letter to the Mayor in the fall requesting that she invest **\$30,145,565** in *Birth to Three for All* in FY2020.

We need:

- **\$22,020,327** in OSSE's budget to increase subsidy reimbursements to pay for measurable increases in compensation for educators, including \$14,010,685 for compensation and \$8,009,642 to cover the cost of care;
- **\$5,999,388** to support prenatal, infant, toddler and preschool home visiting services, including programs for families experiencing homelessness (\$1,999,388 through OSSE); programs for (a portion of) immigrant children (\$2,000,000 through OSSE), and home visiting services and supports for vulnerable children (\$2,000,000 through DOH);
- **\$2,126,250** to support child health, with \$1,526,250 for DBH to expand Healthy Futures Mental Health Consultation for Child Development Facilities Program, and \$600,000 to DMHHS to continue the expansion of Healthy Steps pediatric behavioral and developmental support program to an additional pediatric facility.

In order to fund these programs in FY2020, we need the Council to work together to identify an additional \$25 million, and this Committee has an important role to play.

First, we ask that you support the Mayor's proposal to increase revenues. Reversing a commercial property tax cut, and increasing one-time taxes on large commercial property sales creates approximately \$100 million in new revenue that is critical to maintaining and expanding services for DC residents. We believe these are appropriate sources of revenue given that our growing business and commercial sector increases the need for services like early care and education (ECE). These are not separate issues.

Second, we urge you to reject – and reverse – the decision to exclude *Birth to Three for All* as a target of sports wagering revenue. The decision of the Council to legalize and regulate sports wagering was

premiered, at least in part, on the targeting of revenue to *Birth to Three for All*. First the amount of revenue was reduced from 50 percent of revenues to just a portion of the taxes, from a projected \$3.8 million in its first year to less than \$100,000. And then in the Budget Support Act (Title VII, Subtitle H, Sports Wagering Revenue) there is a proposal to eliminate the provision allocating a portion of funds to *Birth to Three for All* altogether. We urge you to reject Title VII, Subtitle H, and restore the full amount of dedicated revenue from sports wagering to *Birth to Three for All*.

Third, we ask you to consider rejecting the Child Care Tax Credit (Title VII, Subtitle B) "Keep Childcare Affordable Tax Credit." While this may seem counter-intuitive, we believe that tax credits are not the appropriate vehicle for reaching those who most need help with the cost of child care. Families earning up to \$750,000 annually are eligible for this tax credit, and upper-income families are much more likely to itemize deductions as necessary to claim the credit, while lower and middle-income families are the ones who most need it. Further, this tax credit is unlikely to alter the behavior of parents and encourage them to choose licensed care. *Birth to Three for All* addresses the issue of affordability in a more equitable and systematic way, beginning with those whose incomes place them just above the eligibility threshold for subsidized child care. When fully implemented, *Birth to Three for All* will ensure no one pays more than 10 percent of their income for licensed child care. We urge you to invest these funds in this latter strategy.

On the issue of affordability of ECE, I would add that the proposal to increase preschool and pre-k slots in public school settings will add to the cost burden on our community-based centers and home providers of ECE services. When universal pre-k was designed, the goal was to serve at least 25 percent of three- and four-year-old children in community-based settings. We are currently seeing only about five percent of three- and four-year-olds in ECE centers and homes, which means that these community-based organizations and businesses lack the revenues from older children to offset the higher cost of caring for infants and toddlers. We also need to consider how to recruit qualified staff for proposed expansions. If we don't implement a compensation scale that allows community based centers to compete with public schools for qualified teachers, we will greatly sacrifice quality as well as access. My point is that families with infants and toddlers need a well-functioning system, not piecemeal "whack-a-mole" approaches that produce predictable, if unintended, consequences.

In conclusion, as the District's budget process proceeds, we are confident that funds will be located in a variety of places that are going to be claimed for a variety of initiatives. We ask you to prioritize *Birth to Three for All*. Investing in babies (and their families) in the first 1000 days of life is a smart, sound investment in the District's future.

Thank you for accepting my testimony.

COUNCIL OF THE DISTRICT OF COLUMBIA
Office of the Budget Director



Jennifer Budoff
 Budget Director

TO: All Councilmembers
FROM: Jennifer Budoff, Budget Director
DATE: March 25, 2019
SUBJECT: Rule 736

Rule 736 of the Council Period 23 rules provides for the repeal of a law, or provision of a law, that was passed subject to appropriation and remains unfunded for two fiscal years. The following measures were enacted subject to appropriation before the Council's consideration of the Fiscal Year 2018 budget and are now subject to repeal:¹

Fiscal Year 2020 BSA – Rule 736 eligible measures			
Law #	Name	Introducer	Committee
L21-159	Incarceration to Incorporation Entrepreneurship Program Act of 2016	Orange	BCRA
L21-168	Safe at Home	Allen	F&R; Housing
L21-195	Improving Access to Identity Documents Amendment Act of 2016	Grosso	Judiciary; T&E
L21-196	Enhanced Penalties for Distracted Driving Amendment Act of 2016	Mendelson	T&E
L21-225	Notice in Case of Emergency Amendment Act of 2016	McDuffie	Judiciary
L21-242	Vehicle-for-Hire Accessibility Amendment Act of 2016 (<i>section 3 only</i>)	Cheh	F&R; T&E

¹ The Fiscal Year 2018 Local Budget Act of 2017 had its first reading May 30, 2017. The Fiscal Year 2019 Local Budget Act of 2018 had its first reading May 15, 2018. For the purposes of rule 736, the Office of the Budget Director used May 30, 2017 as the last opportunity for inclusion in a budget and financial plan prior to remaining unfunded for two fiscal years. If a measure receives partial funding in any year, the two-year requirement resets.

The following measures, if they remain unfunded after the FY20 budget cycle, will be subject to repeal in the Fiscal Year 2021 Budget Support Act of 2019:²

Fiscal Year 2021 BSA – Rule 736 eligible measures			
Law #	Name	Introducer	Committee
L22-47	Exhaust Emissions Inspection Amendment Act of 2017	Evans	T&E
L22-49	Mobile DMV Act of 2017	Cheh	T&E
L22-61	Public School Health Services Amendment Act of 2017	Grosso	Health
L22-62	DC Healthcare Alliance Re-Enrollment Reform Amendment Act of 2017	Gray	Health
L22-64	Ballpark Fee Forgiveness Act of 2017	Evans	F&R
L22-65	Homeless Services Amendment Act of 2017 (<i>only sections 2(nn) and (oo)</i>)	Mayor	Human Services
L22-81	East End Commercial Real Property Tax Rate Reduction Amendment Act of 2017	Gray	F&R
L22-85	Relieve High Unemployment Tax Incentives Act of 2017	Evans	F&R
L22-86	City Innovation Fund Re-Establishment Amendment Act of 2017 (<i>only amendatory subsection (g) in section 2(b)(3)</i>)	Gray	COW
L22-97	Health Care Provider Facility Expansion Program Establishment Act of 2017	Gray	Health
L22-98	School Health Innovations Grant Act of 2017	Gray	Health
L22-121	Accessible and Transparent Procurement Amendment Act of 2018	McDuffie	COW
L22-126	Telehealth Medicaid Expansion Act of 2018	Gray	Health
L22-141	Study of Mental Health and Substance Abuse in Immigrant Communities Act of 2018	Nadeau	Health

If you intend to fund any of these measures in the pending budget or have information that a measure (or a provision of a measure) is already being implemented by an agency within its existing budget or has previously been funded, please contact Anne Phelps by April 29, 2019. She can be reached at 724-8169 or aphelps@dccouncil.us.

² The Fiscal Year 2019 Local Budget Act of 2018 had its first reading May 15, 2018. The Fiscal Year 2020 Local Budget Act of 2019 will have its first reading May 14, 2019. For the FY2021 BSA and rule 736, the Office of the Budget Director will use May 15, 2018 as the last opportunity for inclusion in a budget and financial plan prior to remaining unfunded for two fiscal years. If a measure receives partial funding in any year, the two-year requirement resets.