GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO:	**The Honorable Linda W. Cropp** **Chairman, Council of the District of Columbia**
FROM:	**Natwar M. Gandhi** [signature] **Chief Financial Officer**
DATE:	**December 9, 2003**
SUBJECT:	**Fiscal Impact Statement (Revised): "Mass Transit Pre-Tax Benefits Amendment Act of 2003"**
REFERENCE:	**Bill Number 15-080 as Introduced**

Conclusion

Funds are not sufficient in the FY 2004 through FY 2007 budget and financial plan as agreed to by the Mayor and the Council of the District of Columbia because the proposed legislation will require additional resources. **Implementing the proposed legislation will result in unbudgeted costs and revenue reductions of approximately $80,000 in FY 2004 and $507,000 in FY 2004 through FY 2007.**

Background

The proposed legislation would implement a "Commuter Choice" program to defray commuting costs of District employees. Under the program, employees would be permitted to elect a pre-tax payroll deduction for the purpose of direct purchase of mass transit fare cards. The fare cards could be used for all Washington Metropolitan Area Transit Authority (WMATA) bus[1] and light rail mass transit as well as ancillary vanpool systems. Eligible employees may elect a pre-tax payroll deduction of up to $100[2] per month which could be applied to bus fare, train fare or van pool obligations.

This program would be authorized under current law[3] as the proposed legislation has aspects that are duplicative.

[1] Use of SmarTrip cards on WMATA buses or transit link programs is a pilot program not widely available.
[2] The limitation is found in the IRC in 26 U.S.C.S. § 132 (2003) (f)(2)(A).
[3] D.C. Official Code Title 1 § 611.19 *et sequitor*.

Financial Plan Impact

Funds are not sufficient in the FY 2004 budget to provide for either the operational costs associated with implementing the program or funding the tax expenditure that results from the revenue loss to local General Funds. Currently the plan in the proposed legislation is to utilize the WMATA SmarTrip® card to implement the program. There is a $5 cost per SmarTrip® card.

Based on new information provided by WMATA and the District Office of Personnel (DCOP) the result of the pre-tax payroll deduction on individual income tax collections in the District would be approximately $140,400 per year. Neither WMATA or DCOP are able to accurately project what the usage will be. The table in figure 1 presents the projected overall costs to the District's proposed FY 2004 through FY 2007 budget and financial plan.

Figure 1.

Impact to the Financial Plan					
Item	**FY 2004[4]**	**FY 2005**	**FY 2006**	**FY 2007**	**4 -Year Total**
Operational Cost	($10,000)	($2,000)	($2,000)	($2,000)	**($16,000)**
Revenue	(70,200)	(140,400)	(140,400)	(140,400)	**(491,400)**
Net Annual Impact	**($80,200)**	**($142,400)**	**($142,400)**	**($142,400)**	**($507,400)**

This analysis assumes that the program would be implemented mid-year FY 2004 and that resident employees who apply would elect an average monthly pre-tax deduction of $65[5]. Applied to this analysis is an underlying assumption that the District can absorb the administrative pressures for the overall program with existing staff and resources with the exception of the purchase of the cards. The cost for cards would be approximately $10,000 in the first year, then a modest cost in the out-years. The District Department of Transportation and DCOP are currently working to fund all operational costs of the program including a plan to use D.C. employee identification cards as the SmarTrip® card. The District CFO believes that existing federal funds could neutralize all operational costs but that they have not been allocated yet for these purposes.

Anti-deficiency laws, 31USCA § 1341 (2000) and D.C. Official Code § 47-355.01 *et sequitor* (2003), prohibit District officers and employees from exceeding agency appropriations in any fiscal year. Should the District determine that appropriations are available to fully fund all costs associated with the proposed legislation, then these amounts need to be included as budgeted expenditures in all subsequent fiscal years.

[4] Figures assume mid-year implementation.