

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
Chief Financial Officer

DATE: November 3, 2003

SUBJECT: Fiscal Impact Statement: "Mass Transit Pre-Tax Benefits Amendment Act of 2003"

REFERENCE: Bill 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 operational costs of \$59,000 in FY 2004 and approximately \$89,000 in FY 2004 through FY 2007. In addition, local General Fund revenue will be reduced by \$1.1 million in FY 2004 and \$5.2 million in FY 2004 through FY 2007.**

Anti-deficiency laws, 31USCA § 1341 (2000) and D.C. Act 14-619 (2003), prohibit District officers and employees from exceeding agency appropriations in any fiscal year. Should the District determine that funding is available to absorb the additional costs in FY 2003 or FY 2004, then the fiscal impact would be zero. For subsequent years, the additional expenditures must be included as budgeted expenditures.

Background

The proposed legislation would authorize 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 and light rail mass transit as well as ancillary vanpool

systems. Eligible employees may elect a pre-tax payroll deduction of up to \$100 per month which could be applied to bus fare, train fare or van pool obligations.

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. Assuming half of the eligible employees opt into the program with a small rate of replacement for lost or stolen cards, the operational cost would be approximately \$59,000 in the first year, then a modest cost in the out-years.

As a result of the pre-tax payroll deduction, individual income tax collections in the District would be reduced by approximately \$1.1 million per year. 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					
(\$ in 000s)					
Item	FY 2004	FY 2005	FY 2006	FY 2007	4 - Year Total
Operational Cost	(\$59)	(\$10)	(\$10)	(\$10)	(\$89)
Revenue	(1,065)	(1,175)	(1,350)	(1,500)	(5,090)
Net Annual Impact	(\$1,124)	(\$1,185)	(\$1,360)	(\$1,510)	(\$5,179)

Applied to this analysis is the underlying assumption that the District can absorb the administrative pressures for the overall program with existing staff and resources.

The Chief Financial Officer's legislative fiscal analysis is prepared by the Special Projects and Fiscal Analysis Administration in the Office of Research and Analysis. Contact us at 441 4th Street, NW, Suite 400S, Washington D.C., 20001 or view our work on-line at <http://cfo.dc.gov>.