

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: February 16, 2001

SUBJECT: Fiscal Impact Statement: “Proposed Increase to the Arena Fee Resolution of 2001”

REFERENCE: Draft Legislation - Bill Number Not Available ([B 14-023](#))

Conclusion

Funds are sufficient in the District’s FY 2001 through FY 2004 budget and financial plan because no additional staff or resources will be required to implement the components of the proposed legislation.

Background

The proposed legislation has two primary components. One component implements the proposed increase to the Arena Fee. The second component abolishes the Arena Fee by repealing Subchapter 27A of Title 47 of the DC Tax Code. The proposed legislation would increase the revenue collected from the arena fee – a gross receipts tax on businesses used to repay the arena bonds. The reason for the proposed increase is to accelerate revenue collection so that the MCI Arena Bonds may be defeased one year early.

Financial Plan Impact

The arena fee is a gross receipts tax. Past years collections have exceeded expectations and as a result, the District can pay off the Bonds one year early with a small increase in estimated collections. The following table presents both the current requirements for the arena fee payment and the proposed requirements for full repayment.

Proposed Rate Schedule for the Arena Fee		
DC Gross Receipts	Proposed Payment	Current Payment
\$ 2,000,000 - \$ 2,999,999	\$ 1,300	\$ 1,000
\$ 3,000,000 - \$ 9,999,999	\$ 4,325	\$ 3,300
\$10,000,000 - \$14,999,999	\$ 8,500	\$ 6,500
\$15,000,000 AND OVER	\$14,250	\$11,000

The proposed legislation is intended to collect enough in the coming tax year to pay off the bonds. The proposed increase for each level of payment is approximately 23 percent. There is no current requirement in the law for excess collections to be returned to the taxpayers. If \$12 million were collected to pay off a balance of \$2.8 million, the city would have a surplus of \$9.2 million after retiring the bonds. By not having to collect the fee for an additional year, the District saves the costs of administration.