

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: March 29, 2004

SUBJECT: Fiscal Impact Statement: "Fiscal Year 2005 Budget Support Act of 2004"

REFERENCE: Draft Legislation as Introduced - No Bill Number Available

Conclusion

The proposed legislation implements the FY 2005 through FY 2008 budget and financial plan as introduced by the Mayor to the Council of the District of Columbia. The estimated overall net increase to the General Fund¹ from provisions in this bill, including proprietary, dedicated non-tax² revenue is \$44.5 million in FY 2005 and \$232.3 million in FY 2005 through FY 2008. Overall, this bill, together with anticipated Mayoral rulemaking, tax initiatives and agency operational plans, will result in \$79 million in additional net revenue for the General Fund in FY 2005. The combined initiatives provide sufficient funds to balance the \$4.2 billion FY 2005 proposed budget.

Title I – Performance and Financial Accountability Amendment Act of 2004:

Background

The proposed title amends D.C. Official Code Title 47 § 308.01(d)³ so that beginning in FY 2006 the Chief Financial Officer will provide service level costs for activities with a minimum threshold of \$10 million as approved by the Mayor and the Council of the District of Columbia. Currently, the Chief Financial Officer provides this information for a particular group of 20 services that the Council's requested. The proposed title phases

¹ SOAR Fund 0100; District specific revenue and appropriated funds.

² SOAR Fund 0600; "Other" type funding.

³ Last modified by Bill 15-218 "The Fiscal Year 2004 Budget Support Act of 2003" Title X (ten); effective November 13, 2003.

in these provisions by August 15 of each year in the following order: Public Safety and Justice and Public works in FY 2006; Government Direction and Support in FY 2007; Public Education Systems and Economic Development and Regulation in FY 2008; and Human Support Services and all remaining agencies by FY 2009.

Financial Plan Impact

The proposed FY 2005 through FY 2008 budget and financial plan has sufficient resources to implement the provisions of the proposed legislation. Appropriated funds and staff are provided to the Office of Budget and Planning for these purposes.

Title II – Housing and Economic Development Amendments

Subtitle A – Vacant and Abandoned Properties Amendment Act of 2004:

Background

The proposed title intends to streamline the disposition of certain parcels of vacant and abandoned property. It would allow the Mayor's Home Again Initiative to dispose of vacant and abandoned property via Council Resolution if the District owns it or if it is suitable as a residence for five or fewer households. In an effort to dispose of certain vacant and abandoned properties more quickly, the title would exempt these dispositions from other statutory requirements, and would set a flexible 90-day closing period. The title would also eliminate the sunset date for the Home Again Initiative.

Financial Plan Impact

Funds are sufficient in the proposed FY 2005 through 2008 budget and financial plan to implement the proposed title because no additional staff or resource will be required.

Subtitle B – Housing Production Trust Fund Amendment Act of 2004:

Background

The proposed title amends the provisions of the Housing Act of 2002⁴ that establish and govern the Housing Production Trust Fund (HPTF). Previously, the HPTF was funded by a transfer of 15 percent of deed recordation and deed transfer tax receipts each fiscal year. The revised provisions require the District to transfer the lesser amount of 15 percent or \$20 million of deed recordation and deed transfer taxes collected each year into the HPTF.

⁴ Bill 14-183 "The Housing Act of 2002," Title V (five), effective April 19, 2002.

The modified legislation also authorizes the District to use HPTF funds to secure bonds. These bonds will be issued in FY 2005 and the proceeds will be used to promote the objectives of the Housing Production Trust Fund.

Financial Plan Impact

The proposed title reduces the transfer of deed recordation and transfer taxes into the Housing Production Trust Fund in FY 2005 from \$40,480,000 to \$20,000,000. The net effect of this transfer is that there will be \$20,480,000 less available to the HPTF and \$20,480,000 more available to support other general fund expenditures. Therefore, there is no net impact on the District's Budget and Financial Plan.

Subtitle C – Housing Tax Abatement Amendment Act of 2004:

Background

The proposed title redefines the parameters of housing "Eligible Area #3." Currently this area is defined as census tracts where the average rent for a one or two bedroom apartment is 20 percent of the fair market rent, and geographic areas where it is unlikely that housing will be rehabilitated with rents less than 120 percent of the fair market rent. Fair market rent is a set amount for the Washington DC metropolitan area, as defined by the federal Department of Housing and Urban Development. The revised "Eligible Area #3" would use a parameter of median rent for the city, as defined by the Mayor. The proposed title would also extend real property tax abatements provided via the Housing Act of 2002 to housing within "Eligible Area #3."

Financial Plan Impact

Funds are sufficient in the proposed FY 2005 through 2008 budget and financial plan because no additional staff or resources will be required. The real property tax abatements in the redefined "Eligible Area #3" that become newly eligible upon implementation of the proposed title have already been funded in the proposed budget and financial plan.

Title III – Human Support Services Amendments

Subtitle A – Tobacco Trust Fund Amendment Act of 2004:

Background

The proposed title requires that all money deposited into the Tobacco Trust Fund be transferred to the District's local General Fund.

Financial Plan Impact

Local General Fund revenue available for District program operations will be increased by the title's provisions in an equal amount to the projected collections by the Fund. Current projections indicate that the proposed title will result in an increase to the local General Fund of \$58.75 million.

Subtitle B – Health Care Privatization Amendment Act of 2004:

Background

The proposed title grants the Mayor the authority to promulgate rules governing public health care services with regards to eligibility, referrals, enrollment, inpatient services, pharmacy service, or in instituting other measures.

Financial Plan Impact

The proposed title will have no impact on the proposed FY 2005 through FY 2008 budget and financial plan because the proposed title clarifies policy. Goods and services provided by the District's public health care systems are required to remain within existing resources and the ability to achieve funds through reimbursement.

Subtitle C –Health Care Provider Tax Amendment Act of 2004:

Background

The proposed title establishes a new tax on health care providers in the city such as hospitals, nursing homes and intermediate care facilities for the mentally retarded (ICF/MRs). The new tax is set at 1.2 percent of a hospital's prior-year audited annual net patient services revenue. The proposed title makes this payment a semi-annual requirement. Nursing homes and ICF/MRs will be required to pay 6 percent of their annual net patient services revenue. Interest penalties will be set at 1.5 percent per month, failure to file penalties will be set at 5 percent per month of the tax assessment and is limited to 25 percent of the annual assessment per year. The false information penalty is set at \$1,000.

Financial Plan Impact

Funds are sufficient in the proposed FY 2005 through FY 2008 budget and financial plan to implement the proposed title because the District will achieve approximately \$16.4 million in, then \$36 million in every year going forward. The following table presents the estimated increase to the District's financial plan.

Approximate Revenue Increase Impacting the Financial Plan				
(\$ in millions)				
FY 2005	FY 2006	FY 2007	FY 2008	4 - Year Total
\$16.4	\$36.0	\$36.0	\$36.0	\$124.4

Subtitle D – Rodent Control Act of 2000 Amendment Act of 2004:

Background

The proposed title repeals Section 910 of the Fiscal Year 2001 Budget Support Act of 2000 for the purpose of curtailing a conflict with the fine schedule under the Litter Control Administration Act of 1985.

Financial Plan Impact

The proposed legislation will have no impact on the District's budget and financial plan. The proposed title makes a technical correction in the law and can be implemented with existing staff and resources and will not impact revenue.

Title IV – Public Safety and Justice Amendments

Subtitle A – Government Facility Security Amendment Act of 2004:

Background

The proposed title will transfer the Protective Services Division (PSD) from the Office of Property Management (OPM) to the Metropolitan Police Department (MPD). The proposed title transfers all staff and resources associated with PSD to MPD.

Financial Plan Impact

The proposed title has no net impact on the proposed FY 2005 through FY 2008 budget and financial plan. OPM and MPD will be required to absorb all the costs of personnel, equipment, records and property transfer. All budgetary authority and appropriations will be transferred from OPM to MPD.

Title V – Public Education Amendments

Subtitle A – Uniform Per Pupil Funding Formula for the Public Schools and Public Charter Schools Amendment Act of 2004:

Background

The proposed title implements a change in the weighting and per pupil allocations used to fund operations in the District of Columbia Public Schools (DCPS) and the District of Columbia Public Charter Schools (PCS). The following table presents the weighting for school year 2004 - 2005.

Grade Level	Weighting	Per Pupil Allocation in FY 2005
Pre-School / Pre-Kindergarten	1.17	\$8,077.21
Kindergarten	1.03	\$7,110.71
Grades 1-3	1.03	\$7,110.21
Grades 4-5	1.00	\$6,903.60
Ungraded ES	1.03	\$7,110.71
Grades 6-8	1.03	\$7,110.71
Ungraded MS/JHS	1.03	\$7,110.71
Grades 9-12	1.17	\$8,077.21
Ungraded SHS	1.17	\$8,077.21
Alternative	1.30	\$8,974.68
Special Education Schools	1.17	\$8,077.21
Adult	0.75	\$5,177.70

In addition, the proposed title requires that the capital budget for public schools shall be allocated by the prior year's pupil count and that the facilities allowance for PCS shall be determined by a 5-year average beginning with the previous school year. The proposed title also requires that the entire annual payment must be made available as the first payment of the fiscal year for existing and new facilities.

Financial Plan Impact

Funds are sufficient in the proposed FY 2005 through FY 2006 budget and financial plan to implement the proposed title. The proposed title will result in a transfer of \$568 million⁵ from the District's resources to DCPS, and \$154 million to the Charter Schools.

⁵ Overall appropriated amounts are approximately \$950.7 million for FY 2005.

Title VI – Government Direction and Support Amendments

Subtitle A – Department of Motor Vehicles Fees and Excise Tax Amendment Act of 2004:

Background

The proposed title increases fees and taxes collected by the District Department of Motor Vehicles (DMV). DMV will increase the fee for providing an abstract for histories that exceed ten years from \$7 to \$13⁶. Histories that do not exceed ten years will remain at a \$7 cost.

The proposed title changes the excise tax levied in the case of sale, resale, gifting, or other transfer of title of a motorized vehicle. This tax will change **from:**

- Class I (3,499 pounds or less) at 6 percent; and
- Class II (3,500 pounds or more) at 7 percent.

to:

- Class I (3,499 pounds or less) at 6 percent;
- Class II (3,500 to 4,999 pounds) at 7 percent; and
- Class III (5,000 pounds or more) at 8 percent.

The proposed title adds new sections for the purpose of adding wholly electric and electric hybrid vehicles to these sections of law. In addition, the proposed title amends the District's Municipal Regulations for the purpose of increasing the fee for electronic access to DMV records from \$5 to \$100 and adds a fee of \$10 for non-residents to obtain the District endorsement to operate certain motor vehicles⁷ in the District of Columbia. The \$10 fee is to offset the District's administrative costs for processing the endorsement on the Driver permit and DMV records.

Residential parking stickers will cost \$30 for the first two vehicles registered and \$50 for each additional vehicle. In addition, the proposed title authorizes the Director of the Department of Motor Vehicles to establish a fee for residential visitor permits and replacement fees for residential stickers.

⁶ D.C. Official Code Title 50 § 1301.05; Approved May 25, 1954.

⁷ This endorsement would be required for a vehicle that pulls more than one trailer for any class of driver.

Financial Plan Impact

The proposed legislation will result in an increase in local General Fund revenue of approximately \$4.5 million in FY 2005 and \$18.0 million in FY 2005 through FY 2008. The estimated annual revenue is presented in the following table.

Approximate Revenue Increase Impacting the Financial Plan					
(\$ in millions)					
Item	FY 2005	FY 2006	FY 2007	FY 2008	4 - Year Total
Registration	\$2.8	\$2.8	\$2.8	\$2.8	\$11.2
Permits	1.7	1.7	1.7	1.7	6.8
Net Annual Impact	\$4.5	\$4.5	\$4.5	\$4.5	\$18.0

Subtitle B – Office of Unified Communication Establishment Act of 2004:

Background

The proposed title unifies the resources and operations of all communications for the MPD, the Department of Fire and Emergency Medical Services, the Office of Customer Service Operations and other offices and agencies that the Mayor may designate. This includes operations known as the Mayor's Call Center, E-911, 311 and 727-1000 emergency and non-emergency telephone and telecommunications centers. All staff and resources associated with these operations will be transferred to the Office of Unified Communications (OUC).

OUC will be responsible for the administration of the Unified Communications Center (UCC) and will house all of these communications operations in one consolidated, civilianized agency. The new agency will have labor relations authority and statutorily immunizes OUC from any prior collective bargaining agreements. The proposed bill requires the transfer of all proceeds from the Emergency and Non-Emergency Number Telephone Calling Systems Fund to OUC.⁸ The OUC will enter into memoranda of understanding with other District agencies to perform necessary government services.

Financial Plan Impact

Funds are sufficient in the proposed FY 2005 through FY 2008 budget and financial plan to implement the provisions of the proposed legislation.

⁸ Emergency and Non-Emergency Number Telephone Calling Systems Fund Act of 2000; effective October 19, 2000; D.C. Official Code Title 1 § 603.01(17).

Subtitle C – Abatement of Dangerous Conditions on Public Space Act of 2004:

Background

The proposed title defines public space, public right-of-way, private structure then places the governing authority with the Director of the District Department of Transportation (Director, DDOT). The title requires that if a presumed dangerous condition is reported to the District the Director of DDOT will make the necessary efforts to inspect the structure's condition, and if presumed to be a public danger, immediately transmit the appropriate notice for the owner to rectify the situation. The owner will be given until noon of the day following the service of such a notice.

If the Director of DDOT determines that the situation of the structure requires immediate action then the title provides the Director the authority to take unilateral action and perform the necessary operations to stabilize the conditions and secure the area. The title provides other guidance to accommodate any special circumstances that the Director of DDOT may encounter when implementing the proposed title.

Financial Plan Impact

Funds are sufficient in the proposed FY 2005 through FY2008 budget and financial plan because the title will not impact the District's local General Fund. All public hazard mitigation operations required by the proposed title must be completed within existing DDOT resources. Future spending requirements on a case-by-case basis will have to be met by the approval of additional appropriations as they become evident and before any additional expenditures may be made beyond DDOT resources. Federal and local anti-deficiency laws, 31USCA § 1341 (2000) and D.C. Official Code § 47-355.01 *et Sequitor* (2003), prohibit District officers and employees from exceeding appropriations in any fiscal year.

Subtitle D – Litter Control Administration Act Fine Amendment Act of 2004:

Background

The proposed title will change the amount of a fine or fee for 334 civil infractions having to do with litter control from a \$75 fine for the first violation for littering or any low impact improper refuse disposal, to an \$8,000 fine for the fourth violation within a 60-day period of either illegal dumping or debris illegally drained into a storm sewer.

Financial Plan Impact

Funds are sufficient in the proposed FY 2005 through FY 2008 budget and financial plan because the proposed title will result in an increase in local General Fund non-tax

revenue if the Department of Public Works (DPW) issues then collects fines. The non-tax revenue anticipated by implementing the proposed title cannot be quantified at this time. DPW has sufficient staff and resources to implement the provisions of the proposed title.

Subtitle E – E 9-1-1 Amendment Act of 2004:

Background

The proposed title increases the monthly fee for access to local telephone connection in the District of Columbia starting in FY 2006. The monthly fee will apply to Centrex, non-Centrex and Wireless connectivity. The rate is a monthly access charge of \$0.76 per line, and \$0.62 per Centrex station or Private Branch Exchange Station (PBX). In addition, subscribers to wireless local exchange will pay a monthly user fee of \$0.76 for each telephone number that has a District of Columbia billing address. Landline and mobile rates will be increased to \$1.06 and Centrex lines will be increased to \$0.92.

Financial Plan Impact

Revenue generated by the proposed title will be deposited into the Emergency and Non-Emergency Telephone Systems Assessments Fund. These funds will be earmarked for the Office of the Chief Technology Officer (OCTO) for use in offsetting the costs associated with the City-Wide Call Center, the 911 Emergency Services Center, and other communications infrastructure improvements and operations. The proposed title will result in an increase in dedicated funds of approximately \$4.8 million per year beginning in FY 2006.

Subtitle F – Construction Compliance Management Fund Act of 2004:

Background

The purpose of the proposed title is to establish a non-tax dedicated fund for the purpose of depositing fees collected as the result of violations of the District's laws governing construction.

Financial Plan Impact

The proposed title has no net impact on the proposed FY 2005 through FY 2008 budget and financial plan. The Department of Consumer and Regulatory Affairs (DCRA) has sufficient staff and resources to implement the proposed title. The title will reduce local General Fund revenue and place an equal amount in a dedicated proprietary fund.

Subtitle G – Street Lighting System Fund Establishment Act of 2004:

Background

The proposed title establishes a proprietary, non-lapsing, non-reverting “O” fund for the purpose of depositing non-tax revenue generated by charges per kilowatt usage of electric utilities. The new charge will be: non-low income customers of \$0.01 per kilowatt hour; low-income customers of \$0.002 per kilowatt hour; commercial customers with usage under 1 million per kilowatt hours per month of \$0.005; commercial customers with usage over 1 million per kilowatt hours per month of \$0.003; non-profit entities with usage under 1 million per kilowatt hours per month of \$0.005; and non-profit customers with usage over 1 million per kilowatt hours per month of \$0.003.

Financial Plan Impact

The proposed title will achieve non-tax revenue of approximately \$10.2 million per year. The following table presents the estimated revenue impacting the financial plan.

Approximate Revenue Increase Impacting the Financial Plan				
(\$ in millions)				
FY 2005	FY 2006	FY 2007	FY 2008	4 - Year Total
\$10.2	\$10.2	\$10.2	\$10.2	\$40.8

Subtitle H – Department of Public Works Fiscal Year 2005 Parking Service Cost Allocation Act of 2004:

Background

The proposed title requires the District's Chief Financial Officer to include DPW's Parking Services Program local funds obligations associated with the monthly deposit into the Highway Trust Fund of receipts from taxes, fees, civil fines, and penalties collected by the District⁹.

Financial Plan Impact

The proposed legislation will have no impact on the District's budget and financial plan. The proposed title will be implemented with existing staff and resources. The proposed title will not impact local General Fund revenue.

⁹ In compliance with D.C. Official Code Title 9 § 111.01(a)(c)(1); effective April 9, 1997.

Title VII – Office of Financial Operations and Systems Reorganization Act of 2004:

Background

The proposed title will transfer the administration and operational functions for post employment benefit programs from the Office of the Chief Financial Officer (OCFO), Office of Financial Operations and Systems (OFOS), District of Columbia Retirement Board to the District of Columbia Retirement Board under the management and administration of the newly established District of Columbia Department of Insurance, Securities and Banking Regulation (DISBR). Functions excepted from the proposed title are those that administer post-employment benefits for the federal Department of the Interior, Park Police and the federal Treasury Department, Secret Service.

Financial Plan Impact

The proposed legislation requires the OCFO to transfer authority, functions, and records associated with administering post employment benefits for the District's Police, Firefighter and Teachers Retirement System. The proposed title does not provide any additional resources for these purposes and implementing the proposed legislation will cause a short-term operational pressure on the OCFO. The bill will require the OCFO (or DISBR) to absorb all the costs for statutory records transfers. Implementing the proposed legislation will create unbudgeted expenditures that cannot be estimated at this time. The authority transferred by the proposed title is an authority specifically and deliberately transferred to the District's Chief Financial Officer as part of the Control Act¹⁰ and in amendments made to the Home Rule Act.

Title VIII – Compensation Unit 1 and 2 Bargaining Unit Overtime Negotiation Amendment Act of 2004:

Background

The proposed title stipulates that the District has the authority to establish the compensation of government employees and negotiate with the exclusive representative of collective bargaining unit employees concerning the compensation rules for overtime work in excess of the basic non-overtime workday¹¹.

The result of this authority will be the requirement by the District through the collective bargaining agreements to accrue an employee's first 40 hours of the week as they are earned regardless of the calendar day. Overtime compensation will be triggered at the point where an employee has first worked 40 hours. Thus, overtime compensation will

¹⁰ Home Rule Act § 424(C)(21) and P.L. 104-8 Section 302(d)(4). Note that P.L. 106-553 extended the authority in perpetuity rather than limiting this authority to a Control Year.

¹¹ Fair Labor Standards Act; 29 USC § 201 *et Sequitor* and D.C. Official Code Title 1 § 601.01 *et Sequitor*.

no longer be triggered upon completion of 8 hours of work in a single day. Currently, it is possible for an employee to earn overtime compensation without accruing 40 hours of work in a workweek.

Financial Plan Impact

The proposed title will have no impact on the proposed FY 2005 through FY 2008 budget and financial plan because District agencies cannot exceed personnel services appropriations when compensating employees.

Title IX – Antitrust Fund Cap Increase Amendment Act of 2004:

Background

The District of Columbia Antitrust Fund¹² consists of money that is appropriated to the Fund, transferred pursuant to a court order or judgment in an antitrust action, gifts or grants made to support antitrust activities, criminal or civil penalties in recovery of costs and attorney's fees in an antitrust actions, or received by the District pursuant to a settlement of an antitrust action. Non-appropriated monies in the Fund remain available without lapse or reverting the District's local General Fund. Any balance in excess of that allowed in the Fund shall be deposited in the District's local General Fund. The proposed title increases the statutory limitation on the Fund balance. The current limitation will be increased from \$500,000 to \$1,250,000.

The Fund supports operations in the Office of the Corporation Counsel (OCC) specifically operations related to the investigation, preparation, institution, and maintenance of antitrust actions. This revenue is expended to offset the costs, expenses and reasonable charges incurred in antitrust investigations.

Financial Plan Impact

The proposed title will have no impact on the District's proposed FY 2005 through FY 2008 budget and financial plan. The increase to the Fund balance reduces the amount surplus revenue from being transferred to the District's local General Fund. The proposed title has the potential of making additional resources available to OCC for the purpose of antitrust investigations and prosecutions.

¹² D.C. Official Code Title 28 § 4516(a).

Title X – Child Support Transfer of Functions Amendment Act of 2004:

Background

The proposed title will transfer child support collection and disbursement functions from the D.C. Superior Court to OCC. Currently, the Superior Court uses District assets to perform most of these functions.

Financial Plan Impact

The proposed title has no net impact on the proposed FY 2005 through FY 2008 budget and financial plan. OCC has sufficient budget to support the engagement of contractual services to perform the required operations.

Title XI – Fiscal Year 2005 Budget Submission Act of 2004:

Background

The purpose of the proposed title is to repeal¹³ a limitation set on the development of the proposed FY 2005 budget on the percentage allowable increase in District-wide spending. This limitation was established in the act at 3.5 percent. In addition, this title repeals a requirement on the District CFO to identify by a certain date contract(s) or subcontract(s) where contract savings were to occur in the FY 2004 Budget Request Act, and the requirement that not less than ½ of the personnel services cost to the Public Safety Communications Center shall be paid with local funds in FY 2005.

Financial Plan Impact

Funds are sufficient in the proposed FY 2005 through FY 2008 budget and financial plan because no additional staff or resources will be required to implement the provisions of the proposed title. This title has no effect on local General Fund revenue and all planned spending is fully funded.

Title XII – Registration and Inspection of Weighing and Measuring Devices Act of 2004:

Background

The proposed title reenacts a section of the District of Columbia Code that was repealed in 1999. The proposed title amends previously repealed sections by setting new fees for registration.

¹³ Law 15-039, "The Fiscal Year 2004 Budget Support Act of 2003"; Title XII (Twelve); effective November 13, 2003.

Financial Plan Impact

DCRA estimates that the fees established in the proposed title will result in \$367,000 for the local General Fund. DCRA's Weights and Measures Division, which is funded through the agency's local budget, can implement the proposed legislation using existing staff and resources. The following table presents the estimated increase to the District's financial plan.

Approximate Revenue Increase Impacting the Financial Plan				
(\$ in millions)				
FY 2005	FY 2006	FY 2007	FY 2008	4 - Year Total
\$0.4	\$0.4	\$0.4	\$0.4	\$1.6

Title XIII– Demutualization of Insurance Companies Amendment Act of 2004:

Background

Demutualization is the process by which insurance companies convert from being mutual companies to stock companies. A number of insurance companies have recently made this change for the purpose of restructuring their capital base. When a demutualization occurs, policyholders are entitled to payment representing their share of ownership in the mutual fund company. If the company cannot find a policyholder to receive that payment, the funds become unclaimed property and are turned over to the states (or the District of Columbia) at a specific time.

Under current District law, an insurance company holds abandoned demutualization proceeds for three years after the company demutualizes. Under the proposed amendment, abandoned demutualization proceeds would be declared unclaimed property one year from the date the company last had contact with the policyholder.

Financial Plan Impact

The proposed title would result in approximately \$3.5 million in net unclaimed proceeds which would be deposited in the General Fund during FY 2005. The following table presents the estimated revenue increase impacting the District's financial plan.

Approximate Revenue Increase Impacting the Financial Plan				
(\$ in millions)				
FY 2005	FY 2006	FY 2007	FY 2008	4 - Year Total
\$3.5	\$0.0	\$0.0	\$0.0	\$3.5

Title XIV – Closing Corporate Tax Loopholes Amendment Act of 2004:

Background

The proposed legislation would close a loophole in District tax law that permits corporate entities to reduce their net taxable income and, thus, avoid paying a significant amount of franchise tax to the District. The legislation would disallow deductions for certain payments to related corporate holding companies that are not taxable in the District and change the definition of "business income" to conform automatically to U.S. Supreme Court rulings.

Many large corporations make payments to related holding companies located outside the state for the use of patents, copyrights, trade names and other intangible property. The holding companies are typically organized in Delaware or other states that do not tax intangible assets, and their incomes are not apportioned to the states in which the operating companies conduct business. The proposed legislation would require District franchise taxpayers to add those amounts paid to holding companies back to the taxpayers' net income.

Financial Plan Impact

The proposed title will result in additional revenue of \$3.3 million in FY 2005 and \$13.3 million in FY 2005 through FY 2008. FY 2005 estimates assume collections begin during the second half of the fiscal year. The following table presents the estimated revenue increase impacting the District's financial plan.

Approximate Revenue Increase Impacting the Financial Plan				
(\$ in millions)				
FY 2005	FY 2006	FY 2007	FY 2008	4 - Year Total
\$3.3	\$3.3	\$3.3	\$3.3	\$13.3

Title XV – Charge Interest on Out-of-State Bonds Amendment Act of 2004:

Background

District residents that invest in state and local bonds issued by other states and localities are not required to report the interest income from those bonds on their D.C. tax returns. However, many jurisdictions do not exclude from taxation interest on bonds issued by the District of Columbia. The proposed legislation would require residents of the District that invest in bonds issued by other states and localities to report interest earned from those bonds on their D.C. tax returns.

Financial Plan Impact

The proposed legislation would create a new revenue source for the District and would result in additional revenue of \$6.2 million in FY 2005 and \$30.7 million for FY 2005 through FY 2008. FY 2005 estimates assume collections will begin in the second quarter of the fiscal year. The following table presents the estimated revenue increase impacting the District's financial plan.

Approximate Revenue Increase Impacting the Financial Plan				
(\$ in millions)				
FY 2005	FY 2006	FY 2007	FY 2008	4 - Year Total
\$6.2	\$8.3	\$8.2	\$8.0	\$30.7

SUMMARY

Implementing the proposed legislation will result in \$44.5 million in FY 2005 and \$232.3 million in FY 2005 through FY 2008. The following table summarizes the impact of the titles in the proposed legislation.

Estimated Impact to the Financial Plan					
(\$ in millions)					
Title	FY 2005	FY 2006	FY 2007	FY 2008	4 - Year Total
Title III(C)	\$16.4	\$36.0	\$36.0	\$36.0	\$124.4
Title VI(A)	4.5	4.5	4.5	4.5	18.0
Title VI(F)	10.2	10.2	10.2	10.2	40.8
Title XII	0.4	0.4	0.4	0.4	1.6
Title XIII	3.5	0.0	0.0	0.0	3.5
Title XIV	3.3	3.3	3.3	3.3	13.3
Title XV	6.2	8.3	8.2	8.0	30.7
Net Annual Impact	\$44.5	\$62.7	\$62.6	\$62.4	\$232.3